



GOVERNMENT OF THE REPUBLIC OF MACEDONIA

NATIONAL PROGRAMME FOR ADOPTION OF THE ACQUIS COMMUNAUTAIRE
- REVISION 2009 -

Skopje
29 May, 2009

Note: The activities of the revised Programme shall begin as of 01.01.2009

INTRODUCTION

In 2007 the Government of the Republic of Macedonia adopted the *National Programme for Adoption of the Acquis Communautaire* (2007 NPAA). NPAA is a key document for the EU integration process reflecting the dynamics of harmonisation of the national legislation with the European law as well as the adjustment of national institutions to the European administrative structures.

The revised NPAA (revision 2008) was approved by the Government on 4 March 2008, in which the existing NPAA (2007) was updated in view of harmonisation with the recommendations and comments of the European Commission in relation with the progress made by the Republic of Macedonia in the accession to EU in 2007.

The National Programme for Adoption of the Acquis Communautaire (revision 2009) is NPAA's second revision. The NPAA revision keeps the same methodological concept for preparation of this document, as regards the context, it comprises the plans for harmonisation of the national legislation with the EU legislation, the necessary dynamics for institutional strengthening for implementation of the regulation, as well as the resources required for realisation. Key elements in the revision of NPAA, being also the basis for projecting short- and medium- term priorities and activities were the following:

- The findings of the European Commission Progress Report on the Republic of Macedonia 2008 in the EU accession process and the Blueprint on the Realisation of the Recommendations included in the European Commission Progress Report on the Republic of Macedonia 2008;
- The obligations deriving from the Stabilisation and Association Agreement, namely the Recommendations by the European Commission given in the Stabilisation and Association Committee sessions and the entire cycle of the sub-committees sessions in 2008;
- The priorities set in the Council Decision on the principles, priorities and conditions contained in the EU Accession Partnership with the Republic of Macedonia;
- The Work Programme of the Government of the Republic of Macedonia;
- The strategic plans of the ministries;
- The Budget of the Republic of Macedonia for year 2009;
- The current and planned projects for foreign assistance.

The revision of the NPAA was focused on further in-depth analysis of the *acquis communautaire* and its relation to the national legislation, using the experience of the countries that underwent the screening process with the European Commission. A further effort has been made to enhance links and consistency of the NPAA planning activities with the strategic planning process, budget planning and planning of foreign assistance in the public administration. Furthermore, the revised NPAA (2009) fully incorporated and upgraded the mentioned Blueprint on the Realisation of the Recommendations included in the EC Progress Report, and aimed at achieving consistency and uniformity of the monitoring process of the activities envisaged. In technical terms, the revision was supported by a specially designed web application, which allowed further upgrading of the databases related to the accession process.

The entire institutional mechanism, based on the working groups comprised of representatives of the ministries and the other state administrative bodies and institutions took part in the revision of the document, for each chapter of the *acquis communautaire*, including the political and economic criteria.

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

- Political criteria,
- Economic criteria,
- Ability to assume the obligations arising from membership,
- Administrative capacities (Public Administration Reform and Preparation of the National Version of the *Acquis Communautaire*),
- Public communication

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

The narrative part presents the current situation of all chapters (with focus on the changed circumstances in comparison to NPAA 2008) as well as the short-term (2009) and medium-term (2010-2011) key priorities and tasks on legislative and institutional level.

The tabular part is divided into four Annexes:

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

Annex 2: Staff strengthening necessary, by *acquis* chapters and by institutions for the period 2009-2011;

Annex 3: Budget funds projected for the period 2009-2011;

Annex 4: Overview of the current and planned foreign assistance for the period 2009-2011.

The Programme takes 1 January 2009 as the starting date for realisation of the activities.

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

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

Table of Contents

I	POLITICAL CRITERIA.....	1
1.1	DEMOCRACY AND RULE OF LAW	7
1.2	ELECTIONS.....	8
1.3	GOVERNMENT	8
1.4	PUBLIC ADMINISTRATION	8
1.5	POLICE REFORM	10
1.6	HUMAN RIGHTS	12
1.7	REGIONAL ISSUES AND INTERNATIONAL OBLIGATIONS	18
II	ECONOMIC CRITERIA.....	22
I.	EXISTENCE OF A FUNCTIONAL MARKET ECONOMY	22
II.	CAPACITY TO COPE WITH COMPETITIVE PRESSURE AND MARKET FORCES WITHIN THE EU	29
III	ABILITY TO ASSUME THE OBLIGATIONS OF EU MEMBERSHIP.....	37
3.1	FREE MOVEMENT OF GOODS.....	37
3.1.1	GENERAL PRINCIPLES	37
3.1.2	HORIZONTAL MEASURES.....	38
3.1.3	OLD APPROACH PRODUCTS LEGISLATION.....	42
3.1.4	NEW AND GLOBAL APPROACH PRODUCTS LEGISLATION	45
3.1.5	PROCEDURAL MEASURES.....	47
3.2	RIGHT OF ESTABLISHMENT AND FREEDOM TO PROVIDE SERVICES.....	53
3.2.1	RIGHT OF ESTABLISHMENT.....	53
3.2.2	FREEDOM TO PROVIDE SERVICES	53
3.2.3	POSTAL SERVICES.....	54
3.2.4	MUTUAL RECOGNITION OF PROFESSIONAL QUALIFICATIONS.....	56
3.3	FREE MOVEMENT OF CAPITAL	57
3.3.1	MOVEMENTS OF CAPITAL AND PAYMENTS.....	57
3.3.2	PAYMENT OPERATIONS.....	58
3.3.3	PREVENTION OF MONEY LAUNDERING AND TERRORIST FINANCING	58
3.4	FREEDOM OF MOVEMENT OF WORKERS.....	50
3.4.1	ACCESS TO LABOUR MARKET.....	50
3.4.2	EURES.....	50
3.4.3	COORDINATION OF SOCIAL SECURITY SYSTEMS	51
3.5	PUBLIC PROCUREMENT	61
3.5.1	GENERAL PRINCIPLES	61
3.5.2	AWARDING PUBLIC CONTRACTS	62
3.5.3	LEGAL REMEDIES.....	64
3.6	COMPANY LAW	65
3.6.1	COMPANY LAW.....	65
3.6.2	ACCOUNTING AND AUDIT	66
3.7	INTELLECTUAL PROPERTY LAW	68
3.7.1	COPYRIGHT AND RELATED RIGHTS.....	68
3.7.2	INDUSTRIAL PROPERTY RIGHTS.....	69
3.7.3	IMPLEMENTATION	70
3.8	COMPETITION.....	73
3.8.1	ANTITRUST, INCLUDING MERGERS.....	73
3.8.2	STATE AID.....	73
3.8.3	LIBERALISATION.....	74
3.9	FINANCIAL SERVICES.....	75
3.9.1	BANKS AND FINANCIAL CONGLOMERATES.....	75
3.9.2	INSURANCE AND PROFESSIONAL PENSION INSURANCE	76
3.9.3	FINANCIAL MARKETS INFRASTRUCTURE	78
3.9.4	SECURITIES MARKET AND INVESTMENT SERVICES.....	78
3.10	INFORMATION SOCIETY AND MEDIA.....	80
3.10.1	ELECTRONIC COMMUNICATIONS AND INFORMATION TECHNOLOGIES.....	80
3.10.2	INFORMATION SOCIETY SERVICES.....	83
3.10.3	AUDIOVISUAL POLICY	85
3.11	AGRICULTURE AND RURAL DEVELOPMENT.....	89
3.11.1	HORISONTAL ISSUES.....	89
3.11.2	COMMON MARKET ORGANISATION	91
3.11.3	RURAL DEVELOPMENT	95
3.11.4	ORGANIC AGRICULTURE	98
3.11.5	QUALITY POLICY.....	99
3.12	FOOD SAFETY, VETERINARY AND PHYTOSANITARY POLICY	101
3.12.1	GENERAL	101
3.12.2	VETERINARY POLICY	102
3.12.3	PLACING FOOD AND FEEDINGSTUFFS ON THE MARKET	108
3.12.4	FOOD SAFETY RULES	111
3.12.5	SPECIAL LEGISLATIONS FOR FEEDINGSTUFFS	116

3.12.6	PHYTOSANITARY POLICY	117
3.13	FISHERIES.....	121
3.13.1	RESOURCE AND FLEET MANAGEMENT, INSPECTION AND CONTROL.....	121
3.13.2	STRUCTURAL ACTIVITIES	121
3.13.3	MARKET POLICY.....	122
3.14	TRANSPORT POLICY.....	123
3.14.1	ROAD TRANSPORT.....	123
3.14.2	RAIL TRANSPORT.....	125
3.14.3	INLAND WATERWAYS TRANSPORT.....	128
3.14.4	COMBINED TRANSPORT	129
3.14.5	AIR TRANSPORT.....	129
3.14.6	STATE AID.....	135
3.15	ENERGY	136
3.15.1	SECURITY OF SUPPLY	136
3.15.2	INTERNAL ENERGY MARKET	138
3.15.3	STATE AID.....	142
3.15.4	RENEWABLE ENERGY.....	143
3.15.5	ENERGY EFFICIENCY.....	148
3.15.6	NUCLEAR ENERGY.....	152
3.15.7	NUCLEAR SAFETY AND RADIATION PROTECTION.....	153
3.16	TAXATION	158
3.16.1	INDIRECT TAXATION.....	158
3.16.2	DIRECT TAXATION.....	160
3.16.3	ADMINISTRATIVE COOPERATION AND MUTUAL ASSISTANCE	162
3.16.4	OPERATIONAL CAPACITY AND COMPUTERISATION.....	162
3.17	ECONOMIC AND MONETARY UNION.....	165
3.17.1	MONETARY POLICY.....	165
3.17.2	ECONOMIC POLICY	168
3.18	STATISTICS.....	171
3.18.1	STATISTICAL INFRASTRUCTURE.....	171
3.18.2	CLASSIFICATION AND REGISTERS.....	175
3.18.3	SECTORIAL STATISTICS.....	176
3.19	SOCIAL POLICY AND EMPLOYMENT.....	184
3.19.1	LABOUR LAW	184
3.19.2	OCCUPATIONAL HEALTH AND SAFETY.....	187
3.19.3	SOCIAL DIALOGUE.....	189
3.19.4	EMPLOYMENT POLICY AND THE EUROPEAN SOCIAL FUND	191
3.19.5	SOCIAL INCLUSION.....	196
3.19.6	SOCIAL PROTECTION.....	201
3.19.7	ANTIDISCRIMINATION AND EQUAL OPPORTUNITIES.....	203
3.20	ENTERPRISE AND INDUSTRIAL POLICY	207
3.20.1	ENTERPRISE AND INDUSTRIAL POLICY PRINCIPLES.....	207
3.20.2	INDUSTRIAL POLICY INSTRUMENTS	208
3.20.3	SECTOR POLICIES.....	208
3.21	TRANS-EUROPEAN NETWORKS.....	210
3.21.1	TRANSPORT NETWORKS.....	210
3.21.2	TRANS-EUROPEAN ENERGY NETWORKS.....	213
3.22	REGIONAL POLICY AND COORDINATION OF STRUCTURAL INSTRUMENTS	218
3.22.1	LEGAL FRAMEWORK.....	218
3.22.2	INSTITUTIONAL FRAMEWORK.....	219
3.22.3	ADMINISTRATIVE CAPACITY	222
3.22.4	PROGRAMMING.....	223
3.22.5	MONITORING AND EVALUATION.....	224
3.22.6	FINANCIAL MANAGEMENT AND CONTROL.....	225
3.23	JUDICIARY AND FUNDAMENTAL RIGHTS.....	227
3.23.1	JUDICIARY.....	227
3.23.2	ANTI-CORRUPTION POLICY	234
3.23.3	FUNDAMENTAL RIGHTS	238
3.23.4	EU CITIZENS' RIGHTS.....	241
3.24	JUSTICE, FREEDOM AND SECURITY.....	242
3.24.1	MIGRATION	242
3.24.2	ASYLUM.....	245
3.24.3	VISA POLICY	248
3.24.4	EXTERNAL BORDERS AND SCHENGEN-ZONE BORDERS.....	251
3.24.5	JUDICIAL COOPERATION IN CRIMINAL AND CIVIL MATTERS.....	254
3.24.6	POLICE COOPERATION AND FIGHT AGAINST ORGANISED CRIME	256
3.24.7	FIGHT AGAINST TERRORISM.....	261
3.24.8	FIGHT AGAINST DRUGS.....	263
3.24.9	CUSTOMS COOPERATION	264
3.24.10	COUNTERFEITING OF THE EURO.....	267
3.25	EDUCATION AND CULTURE.....	274
3.25.1	EDUCATION, TRAINING AND YOUTH	274

3.25.2	CULTURE.....	282
3.26	SCIENCE AND RESEARCH.....	269
3.26.1	RESEARCH POLICY	269
3.26.2	FRAMEWORK PROGRAMMES	271
3.26.3	EUROPEAN RESEARCH AREA	272
3.27	ENVIRONMENT	286
3.27.1	HORISONTAL LEGISLATION.....	286
3.27.2	AIR QUALITY	295
3.27.3	WASTE MANAGEMENT	298
3.27.4	WATER QUALITY.....	301
3.27.5	NATURE PROTECTION	306
3.27.6	INDUSTRIAL POLLUTION CONTROL AND RISK MANAGEMENT	311
3.27.7	CHEMICALS.....	314
3.27.8	GENETICALLY MODIFIED ORGANISMS.....	317
3.27.9	NOISE.....	319
3.27.10	FORESTRY	321
3.28	CONSUMERS AND HEALTH PROTECTION.....	324
3.28.1	CONSUMERS' PROTECTION	324
3.28.2	PUBLIC HEALTH.....	328
3.29	CUSTOMS UNION.....	333
3.29.1	CUSTOMS LEGISLATION.....	333
3.29.2	ADMINISTRATIVE AND OPERATIONAL CAPACITY.....	338
3.30	EXTERNAL RELATIONS.....	343
3.30.1	COMMON COMMERCIAL POLICY	343
3.30.2	BILATERAL AGREEMENTS WITH THIRD COUNTRIES	344
3.30.3	DEVELOPMENT AND HUMANITARIAN AID	344
3.31	FOREIGN, SECURITY AND DEFENSE POLICY	345
3.31.1	ESDP	345
3.31.2	CFSP.....	346
3.32	FINANCIAL CONTROL	349
3.32.1	PUBLIC INTERNAL FINANCIAL CONTROL AND EXTERNAL AUDIT.....	349
3.32.2	PROTECTION OF THE FINANCIAL INTERESTS OF THE EU.....	353
3.33	FINANCIAL AND BUDGETARY PROVISIONS	358
4	ADMINISTRATIVE CAPACITIES.....	361
4.1	HORISONTAL ISSUES – PUBLIC ADMINISTRATION REFORM.....	361
4.2	STRENGTHENING ADMINISTRATION CAPACITIES FOR EU ACCESSION.....	363
5	PUBLIC INFORMATION AND COMMUNICATION.....	366

I POLITICAL CRITERIA

1.1 DEMOCRACY AND RULE OF LAW

Constructive and inclusive approach will be promoted within the framework of the democratic political institutions, based on the competences defined in accordance with the Constitution of the Republic of Macedonia.

In 2009, the Assembly of the Republic of Macedonia will finalise the realisation of the Action Plan relating to the improvement of the operation of the Assembly of the Republic of Macedonia and will continue the activities for enhancing the status of the Assembly as well as in terms of more efficient legal and control mechanisms.

Efficient implementation of the new Rules of Procedure of the Assembly of the Republic of Macedonia is a short-term priority for 2009. The Assembly of the Republic of Macedonia will harmonise the working agenda on coordination sessions of parliamentary groups, in accordance with the Coordination Rulebook of the Assembly of the Republic of Macedonia deriving from its Rules of Procedure. The objective will be to ensure comprehensive discussion on the key issues reviewed by the Assembly.

The parliamentary groups will work towards adoption of the Law on the Assembly of the Republic of Macedonia, which stipulates strengthening the position of the Assembly within the framework of the democratic decision-making process in the country. The Law is planned to be adopted in the first half of 2009.

Consensus on the issues relating to the implementation of the Ohrid Framework Agreement and the Badinter principle will be ensured within the regular coordinative meetings with the President of the Assembly of the Republic of Macedonia. The Committee functioning will take place in accordance with the applicable legal decisions, in particular the Law on the Committee for Relations between Communities of the Republic of Macedonia.

In order to ensure high level of coordination in the Assembly of the Republic of Macedonia and programming of the Assembly operation, the President of the Assembly of the Republic of Macedonia will continue the regular meetings with the coordinators of the parliamentary groups, also attended by certain representatives of the Government of the Republic of Macedonia in relation with the proposals by the Government pursuant to the Coordination Rulebook of the Assembly of the Republic of Macedonia.

Adequate staff and budget will be provided for the new administrative organisation of the parliamentary services as well as functionality of the Budget Council of the Assembly of the Republic of Macedonia. In 2009, the activities for strengthening the capacities of the Assembly for planning and execution of the budget will continue.

In terms of securing general political and social consensus relating to the realisation of the European Agenda, functioning of the National Council for European Integration as well as of the Committee on European Affairs of the Assembly will be provided.

For the purpose of implementation of the National Programme for Adoption of the Acquis Communautaire, the Assembly of the Republic of Macedonia will give priority to the adoption of the laws to be harmonised with the European legislation. On the basis of the consensus achieved within the National Council for European Integration, for certain part of the NPAA priority legal solutions, the National Council for European Integration will organise comprehensive public debate¹.

The cooperation between the institutions within the executive authority, between the President of the Republic of Macedonia and the Government of the Republic of Macedonia will occur in compliance with the constitutional competences and in view of securing consensus relating to the key issues of national interest and reinforcing the position of the Republic of Macedonia internationally. The next presidential elections in the Republic of Macedonia, in accordance with the Decision adopted by the Assembly of the Republic of Macedonia announcing the elections, have been scheduled for 22 March 2009.

¹ The National Council for European Integration in cooperation with the competent institution, the Secretariat for European Affairs and the Assembly of the Republic of Macedonia will organise public debate on the following legal acts: Law on Copyrights and Other Related Rights, Law on Inter-municipal Cooperation, Law on Ratification of the Patent Law Treaty, Law on Ratification of the Trademark Law Treaty, Law Amending the Law on Civil Servants, Law Amending the Law on Prevention of Conflict of Interests, Law on the Status and Conditions for Employment of Public Officials, Law on Free Legal Aid, Law Amending the Law on Associations of Citizens and Foundations, Law on Criminal Procedure, Law Amending the Law on Broadcasting Activity, Law on Protection against Discrimination, Law Amending the Law on Labour Relations, Laws on Ratification of the Protocols relating to environment protection.

1.2 ELECTIONS

Law enforcement bodies and judicial institutions will take all the necessary measures for prosecution and adoption of court decisions against the perpetrators of election irregularities in year 2008.

The fulfilment of OSCE recommendations on the election process will continue as well as the enforcement of the Electoral Code adopted by consensual agreement of the key political actors. The amendments to the Electoral Code also incorporate the recommendations relating to the political campaign funding.

Full observance to the Electoral Code in the upcoming municipal and presidential elections scheduled for 22 March 2009 is a key priority for all state institutions and political actors in the Republic of Macedonia.

The Government of the Republic of Macedonia will take all measures under its competence and direct its political capacity for full observance to the legal norms in the implementation of the election process.

The State Election Commission (SEC) will undertake its legal competences through the secured additional strengthening of its administrative capacities with 12 new civil servants in SEC composition.

1.3 GOVERNMENT

EU membership is among 5 top priorities in the 2008-2012 platform of the Government of the Republic of Macedonia. For the purpose of ensuring commitment for continuous monitoring of the obligations arising from the European integration process, the Government will further continue to commence its sessions with pre-item on the status of the EU integration process and through regular thematic sessions on the issues related to the European agenda as well as fulfilling the obligations undertaken by the Republic of Macedonia in view of meeting the Copenhagen criteria.

In order to finalise the decentralisation process, the Government, in permanent cooperation with the Association of the Units of the Local Self-Government of the Republic of Macedonia will commit to closing the process of fiscal decentralisation by providing assistance to the municipalities that did not qualify for entering the second phase of fiscal decentralisation.

In order to strengthen the coordinative capacities of the municipalities, the Law on Inter-municipal cooperation will be adopted by the end of February 2009.

During 2009, internal audit units will be established in view of reinforcing the financial control system in those municipalities where it has not been established yet and effective collection of the municipality taxes will continue.

The Government will introduce simplified measures for funding activities in the education by determining acceptable criteria.
(See: *Chapter IV Administrative Capacities*)

1.4 PUBLIC ADMINISTRATION

The Government and all state administrative bodies will consistently implement the Law on Civil Servants, establishing the merit-based promotion system.

Same as before, main programme objectives will maintain the focus on consistent application of the Law on Civil Servants (LCS). Accordingly, the Civil Servants Agency will regularly, on weekly basis, notify on the announcements published for entry of civil servants, on the number of the administered professional exams and the candidates applied thereto as well as on the number of initiated and proposed disciplinary measures. On quarterly basis, CSA in cooperation with the MF and based on the regular updating of the data relating to the civil servants by SAB, will also inform on the number of legal civil servant employments on central (and local) level.

In 2009, Chapter IV of the LCS "System for salaries and salary allowances of civil servants " will continue to be implemented.

As any other year since civil servants' evaluation started to be applied, CSA will adopt Analysis of the Performance Assessment of the Civil Servants Work in 2008, this year to contain strict recommendations taking into consideration the implications of the evaluation process on the system for salaries and rewards of the civil servants.

By February 2009, amendments to the Law on Civil Servants will be adopted, drafted in accordance with the Sigma/OECD comments on the Draft Law Amending the Law on Civil Servants. The amendments will refer to five segments of the Law, as follows: the corpus of civil servants, cutting down the time limits for employment and duration of the procedure, mobility of civil servants by introducing internal announcements, exercising the right to salary supplements which enables career allowance and its payment and defining special chapter for the Civil Servants Agency, in order to fulfil the EC recommendations on strengthening the position and role of the CSA in the human resource management and monitoring on LCS implementation.

Bylaws deriving from the Law Amending the Law on Civil Servants will be drafted and adopted relating to some elements of the human resource management policy in the public service, as follows: selection, employment, training and etc. Adequate consideration will be paid to the development and promotion of the Civil Servants Register. At the end of the first quarter of 2009, CSA will prepare Report on the civil servants data with the Civil Servants Register for 2008, to be published on the Agency web site (<http://www.ads.gov.mk>).

The Analysis of the Civil Servants Agency on the staffing of the Units for Human Resources Management within the state administrative bodies indicated that the current situation is inadequate. CSA will focus on the implementation of the activities related to strengthening the capacities for the human resource management processes within the public service.

Staff strengthening in the human resource units will be needed in the next period with expert and competent staff and training thereof as well as establishing mechanisms for delegating competences to the managing civil servants. The SCA capacities will be further reinforced aimed at more successful human resource and training management. A network of the units for human resource management will be established and put into operation by CSA and activities will be taken for developing its function. In cooperation with this network, CSA will prepare Analysis of the staffing (quantitative and qualitative) of the existing human resource management sectors/units in the public service.

CSA adopted the 2009 Annual Programme for Civil Servants Training in the Republic of Macedonia. This Programme is one of the essential documents for operationalisation of the revised National System for Coordination of Training and Professional Improvement of Civil Servants, adopted by CSA in July 2008. The most important modification of this revised document is the new coordination model, simplified and adjusted to the actual training needs in the civil service.

Procedures for planning, coordination and reporting on trainings will be developed as well as provision of training to the members of the established Coordination Council Training Management in accordance with the National Training System.

With regard to strengthening of the administrative capacities, continuous training will be provided to all civil servants in 2009 for the needs of commencing the implementation of the Strategy for Training of Civil Servants for 2009-2011, a document to assist in setting up a sustainable, comprehensive and stable system for civil servant development. CSA will report, on semi-annual basis, on its implementation and on the training realised pursuant to the Annual Generic Training Programme for 2009. Implementation will be provided through the system for continuous training to all civil servants on central and local level, taking into consideration that the funds for the training to be delivered has been provided in the Civil Servants Agency Budget and in the separate budgets of the beneficiaries of budget funds for 2009.

According to the Rules of Procedure of the Government, as of 1 January 2009, the law drafting procedure will be improved through application of the impact assessment of the legal regulations and consultation with different stakeholders in the preparation of legal regulations and compulsory publishing of their work versions on the ministries' web sites.

With regard to completing the reforms in public administration, adoption of a Law on Inspection Surveillance is foreseen, that the first time in the legal system of the Republic of Macedonia, would regulate the issue of procedure for carrying out inspection supervision by the administrative inspection as well as other forms of inspection services on central and local level. This Law stipulates strengthening of the state supervision function by improving the capacities of inspection services and their coordinated action.

In addition to the LSC that regulates the status, rights and obligations of the corpus of civil servants performing the largest part of the standard state functions, a legal framework to regulate, on single grounds and principles, the status and requirements for civil servants employments will be created (See: Chapter 23 Anti-corruption policy).

In view of enhancing the administration transparency and accountability, Law on Associations of Citizens and Foundations will be adopted to define the conditions for establishing and operation of citizen associations, determining the conditions and criteria for performing economic activities by the citizen associations and foundations, and aimed at increasing the possibilities for the associations to have in disposal funds from their own sources for the purpose of practicing statutory activities for their operation. In addition, the issue of the citizen organisations engaged in activities of public interest will be regulated; objective, accountable and

transparent mechanism for regulating tax benefits; regulation of the issue related to responsibility in their work, establishment of associations by legal persons and other issues due to precise definition of other provisions for the purpose of harmonisation.

Draft laws adopted by the Government will contain assessment of the regulation impact and publishing draft versions of legal regulations on the ministries' web-sites will be mandatory.

Monitoring of the implementation of the mechanism Citizen's Charter as well as printing of evaluation forms will continue.

The implementation of the Action Plan for implementation of the Strategy for cooperation between the Government and the civil society (2007-2011) as well as its update will continue. In addition, training for the employees in the Unit for Cooperation between Non-governmental Organisations and ministries is foreseen.

Furthermore, training for civil servants responsible for functioning of the web portal-services is foreseen.

(See details in: Chapter IV Administrative Capacities)

1.5 POLICE REFORM

The activities focused on achieving sustainability of the progress made in the police reform will continue with equal intensity in the next period. The Ministry of Interior of the Republic of Macedonia drafted Law on Internal Affairs encompassing new solutions relating to selection, employment, promotion, dismissal, material and disciplinary responsibility of the employees within the Ministry, which will contribute to strengthening professional standards and independence. The new Law on Internal Affairs was forwarded for opinion to the Delegation of the European Commission in Skopje, OSCE, whilst the representatives of the IPA Project are being consulted for support of the police progress.

With regard to strengthening the police capacities, both on central and local level, in line with the 2009 Budget of the Ministry of Interior for the Police reform process as well as for supply of equipment and vehicles, a total of MKD 641,760,000.00 is foreseen.

The following bylaws deriving from the Law on Police remain to be adopted:

Guidelines on the manner of handling documents and equipment in the Sector for Criminology and Intelligence Analysis; and the Mol Collective Agreement (to be adopted following the adoption of the new Law on Internal Affairs);

For the purpose of further in depth and comprehensive introduction of the police officers with the content of the Rulebook on performing police tasks, the police officers' knowledge will be upgraded through their introduction with the content of Handbook for the basic operative policing procedures, the Ministry of Interior, on regular basis, will check the knowledge, having the changes made with the police reform. This Handbook is a set of the priorities of the basic operative policing procedures of the border police operating as well as general police work in the area of road traffic safety.

The Ministry of Interior will continue the implementation of the Strategy and Human Resources Action Plan concerning the activities related to career development and promotion system.

During 2009, training for the staff responsible for human resource management has been envisaged, for which appropriate budget resources have been provided. This training will be supported by OSCE and CIVIPOL. At the same time, the Sector for Human Resource Management during 2009 will adopt:

1. Rulebook on Selection, legally regulating the administrative pre- selection, the manner, content and conducting of interviews as well as the procedure in the case of complaint to the decision of the selection commission.
2. Rulebook on the Career System, covering all areas of the career system. This Rulebook will also encompass the possibilities for merit-based promotion to the highest executive levels, valid for all employees. The Rulebook will be drawn with the support of the IPA Project implemented by CIVIPOL.

With regard to work post profiling, it is anticipated to create a job profile as well as selection of functions and defining a model-profile for the selected specific functions as follows: Commander, uniformed police officer, ununiformed police officer, head, secret agent, and etc.

In the management part, it is envisaged to identify and assess the needs for management training to the managing staff. Analysis of the employees' potential will be performed, on short- and long- term period, promotion of competent junior staff.

Medium-term priority is the personal file management, which will be completed by 2011. Personal file management will be realised defining the content which will cover data of the employees relating to:

- Personal issues;

- Employee career promotion and development.

Adequate budget funds have been allocated for this activity.

In view of promotion of equitable representation, 115 representatives of the non-majority communities in the Republic of Macedonia, were employed in the Ministry of Interior in 2008. Increase of 1% of the total representation has been foreseen for 2009 and 2010 respectively.

The activities for provision of in-service training system to the police will continue, through setting up organisational training structure. The continuous training in the police will be conducted by the advisors for continuous training included in the systematisation of each SIA and in the four RC, and part of the continuous training and basic training will be carried out in the Training Centre within the Ministry of Interior. Since its setting up, the Training Centre has carried out a total of 28 training courses, of which one basic and 27 specialised training courses for the police. In January 2009, Memorandum of Understanding will be signed between the Training Centre within the Ministry of Interior and the Faculty of Security within the University "St. Kliment Ohridski" – Bitola, thus fully completing the division of property. Training of the border police will be enhanced by the support of the cooperation established with FRONTEX.

With regard to accomplishing the supervision of the police work, which is currently performed through already established mechanisms (Sector for Internal Control, Public Prosecutor's Office, Judiciary, Ombudsman, Standing Survey Commission for Protection of Civil Freedoms and Rights, Committee for Supervision of the Work of the Administration for Security and Counter-Intelligence and the Intelligence Agency and the non-governmental sector), a Working Group has been set up, through the OSCE Mission in the Republic of Macedonia, to define a new concept for control of the police work. In addition to the OSCE representatives, representatives from the Ministry of Interior, the Ministry of Justice and university professors being experts in this area participate in the Group.

Judiciary (See also: Chapter 23 – Judiciary and Fundamental Rights)

Regarding the promotion of the independence of the judicial system, the Law on Judicial Council is fully implemented according to which the Judicial Council executes its competences (election and dismissal of judges) as a guarantee for judicial independence and autonomy. The Judicial Council will continue its impartial supervision of the judges' operation. The Rulebook on evaluation of the judges' operation will commence to be fully implemented by April 2009, thus initiating the delivery of quarterly reports on its application by the Judicial Council.

In 2008, the Rulebook on criteria for evaluation of the judges' operation was adopted as well as a Form for quantitative and qualitative evaluation of the judges' operation.

The Administrative Court and Appellate Court in Gostivar are fully equipped and operational, demonstrating positive results in their operation.

The Academy for Training of Judges and Public Prosecutors is entirely operational, implementing the Law on the Academy for Training of Judges and Public Prosecutors, the Statute and bylaws in direction of creating and realising all training programmes. The programmes for continuous professional improvement of judges and public prosecutors as well as the programmes for training of other target groups are fully realised, in accordance with the 2007-2009 Framework Programme. Furthermore, the basic training for judges and public prosecutors is being efficiently implemented. Realisation of the plan for basic training of the candidates for judges and prosecutors will continue as well as realisation of the plan for continuous training of judges and prosecutors/Calendars for 2009.

The amendments to the Law on Courts introduced a specialised Judicial Unit for Organised Crime and Corruption for the whole territory of the Republic of Macedonia, located in the Basic Court Skopje.

The Law Amending the Law on Court Budget of 1 January 2009 stipulates that the management of the court authority budget is transferred from the Supreme Court of the Republic of Macedonia to the competence of Judicial Council of the Republic of Macedonia, thus the budget management will be executed in line with the courts' needs.

Analysis of budgetary needs of the courts will be prepared and a Programme for planning and management of budget funds will be adopted for the purpose of the financial stability of the judicial system in 2009.

Analysis of the situation of the court administration will be prepared in order to strengthen its capacity through additional employment.

The Council of Public Prosecutors has been completed and operational in its full capacity of 11 members. Activities for provision of separate facilities for the Council of Public Prosecutors are ongoing and activities are initiated for its staffing with expert-administrative officers. The Council performs election and dismissal of public prosecutors and commenced with supervision of the public prosecutors' operation. The Council of Public Prosecutors will continue the selection of public prosecutors with the purpose of filling the vacancies pursuant to legal regulations and will supervise the prosecutors' operation.

A new Higher Public Prosecutor's Office Gostivar has been constituted. On 5 November 2008, Higher Public Prosecutor and 4 public prosecutors of this Prosecutor's Office were elected. The election of all 9 public prosecutors of the Basic Public Prosecutor's Office for Organised Crime and Corruption was completed.

In view of further enforcement of the Public Prosecutor's Office reforms, the implementation of the Law on Public Prosecutor's Office and the Law on Public Prosecutors Council will continue.

For successful implementation of the Law on Misdemeanours by 31 October 2008 inclusive, 41 Misdemeanour Commissions were set up in a total of 21 institutions. By the end of October 2008, before these Commissions a total of 74,749 misdemeanour cases were filed, 51,022 of which are ongoing, and 23,127 cases were solved. Plan for Training on Application of the Law on Misdemeanours is adopted, being implemented in all institutions where Misdemeanour Commissions were established. By April 2009, the Ministry of Justice and the Academy for Training of Judges and Prosecutors will train all members of the Misdemeanour Commissions. The Supreme Court will monitor the court actions upon the obsolete misdemeanour cases on monthly basis.

For the purpose of efficient implementation of the laws harmonised with the Law on Misdemeanours, the operation of the Misdemeanour Commission will be monitored through monthly reports as well as the realisation of the Programme for Training on Application of the Law on Misdemeanours, thereby all members of the Misdemeanour Commissions will be trained.

Further implementation of the Law on Enforcement has been envisaged in order to complete full transfer of enforcement cases from the courts to the enforcement agents.

In accordance with the guidelines defined in the Strategy for Reform of Penal Law, the activities for drafting new Law on Criminal Procedure and Amendments to the Criminal Code are intensified, which are expected to be adopted in 2009. The amendments to the Criminal Code will assist in incorporating international standards, fulfilling international obligations, harmonisation with a number of laws as well as incrimination of the modern criminal occurrences.

For improvement of the information technology in judiciary, by the end of 2009, implementation of ACCMIS will be completed in all courts in the Republic of Macedonia.

Anti-corruption Policy (See also: Chapter 23 – Judiciary and Fundamental Rights)

The Government will adhere to the uncompromising fight against corruption and will continue to implement the measures of the Action Plan for Fight against Corruption.

The cooperation between bodies with special authorisations will be realised in continuity and concrete results from the cooperation in the cases of corruption and information on the status of the cases of corruption will be regularly reported as well as on the cooperation realised through the liaison officers.

By April 2009, improvement in the operation of the databases will be demonstrated, i.e. connection of the databases and data exchange between the bodies with special authorisations.

The Recommendations made by the Group of States against Corruption (GRECO) from the second round of evaluation will be realised, realisation deadline is April 2009.

By April 2009, the results from the implementation of the Action Plan on Conflict of Interests will be demonstrated.

Improved results will be demonstrated in the inspection of the property status through the connection of databases of the State Commission for the Prevention of Corruption and the Public Revenue Office.

By April 2009, it is necessary to demonstrate results in the implementation of the provisions referred to in the Electoral Code relating to funding election campaigns as well as funding political parties.

1.6 HUMAN RIGHTS

International conventions:

Council of Europe Convention on Action against Trafficking in Human Beings is ongoing ratification procedure and is expected to be ratified by the end of the first quarter of 2009.

In the second half of 2009, a procedure will be initiated for ratification of the Council of Europe Convention on the Protection of Children against Sexual Exploitation and Sexual Abuse. The period pending the ratification will be committed to further harmonisation of the relevant legislation of the Republic of Macedonia with the provisions referred to in the Convention.

The Optional Protocol to the Convention against Torture and other Cruel, Inhuman or Degrading Treatment or Punishment was ratified in December 2008. In accordance with the obligations arising from the Optional Protocol, the Ombudsman of the Republic of Macedonia will execute its function of a national prevention mechanism. In cooperation with and prior to the consent by the Ombudsman, non-governmental organisations registered in the Republic of Macedonia and organisations with a status of humanitarian organisations in the Republic of Macedonia may assume some of the competences of the national prevention mechanism.

European Court of Human Rights

For a period of 11 years², in which the European Court of Human Rights (ECHR) monitors and values the respect of human rights by the Republic of Macedonia, by 15 December 2008 inclusive, 1650 applications were submitted to the Court against the country. According to the admission criteria laid down in Article 35 of the Convention, by 23 December 2008 inclusive, the ECHR communicated a total of 162 cases for reply to the Government of the Republic of Macedonia. Of a total of 162 communicated cases, only in the course of 2008, 62 cases were delivered to the Government of the Republic of Macedonia. ECHR reached 46 judgements, 42 of which judgements for violation of human rights guaranteed by the European Convention. 32 judgements refer to violation of the right to trial within a reasonable time limit provided for in Article 6 paragraph 1 of the Convention, four (4) in Article 3 – lack of efficient investigation, four (4) for unfair trial, two (2) lack of efficient national legal remedy and two (2) for ownership right.

The matters related to the European Convention on Human Rights, including the ECHR jurisprudence are incorporated in the curriculum of the Academy for Training of Judges and Public Prosecutors. The ECHR decisions on the cases against the Republic of Macedonia are published on a regular basis in Macedonian language.

In order to adequately respond to the obligation for enforcement of ECHR judgements, a special Law on Enforcement of ECHR Judgements is in the process of preparation, which precisely regulates the obligations and responsibilities to be taken by each of the authorities in the country in terms of appropriate and efficient enforcement.

For the purpose of enforcement of ECHR judgements against the Republic of Macedonia relating to trial in reasonable time limit, in March 2008 amendments to the Law on Courts were adopted in view of operationalisation of the national protection of the right to trial in reasonable time limit. The Supreme Court commenced application of the Law and taking decisions upon applications submitted by the citizens and legal persons of the Republic of Macedonia.

In accordance with the ECHR positions and recommendations related to efficient investigations and procedures regarding torture, and for the purpose of prevention and consistent implementation of the judgments delivered by the Court, they were specially considered by the work groups engaged in amending the Law on Criminal Procedure and Law on Public Prosecutor's Office, adequately translating relevant amendments to the national legislation. Those judgements initiated a process in which an inter-ministerial group has prepared a draft mechanism for strengthening the external control system of the law enforcement bodies in order to realise efficient investigation and prosecution of cases indicating torture executed by officials.

For efficient implementation of the activities related to the cases before the ECHR as well as appropriate and efficient enforcement of the ECHR judgements, continuous harmonisation of the national legislation with the case law of the European Court of Human Rights as well as handling numerous other obligations arising from the 11-year application of ECHR by the Republic of Macedonia, legal regulation is anticipated in the representation of the country before the ECHR by establishing a Bureau for Advocacy of the Republic of Macedonia before the ECHR, as a body within the Ministry of Justice managed by the Government Agent.

In view of reducing the number of verdicts brought by ECHR with established violations to the right to fair trial in reasonable time limit, in 2009, Analysis of the legal solutions in litigation laws governing the dynamics of court and administrative bodies actions will be prepared in order to evaluate the effects from the reforms anticipated by the Judicial Reform Strategy.

Civil and political rights

The penitentiary system in the Republic of Macedonia is connected in a horizontal and vertical manner, as a single and closed system of penitentiary institutions. The execution of sanctions is under the competence of the Directorate for Execution of

² The European Convention on Human rights and Fundamental Freedoms was ratified by the Assembly of the Republic of Macedonia on 10 April 1997.

Sanctions having a status of a legal entity managed by a director. The sentence of imprisonment is executed in penitentiary institutions, whereas the correctional measure - dispatch to educational and correctional institutions is executed in educational and correctional institutions. All institutions have capacity of legal entities. 11 penitentiary institutions and 2 educational and correctional institutions are operational in the Republic of Macedonia, employing a total of 726 full-time employees, and a total of 2370 persons serving imprisonment penalty, detention measure and correctional measure – dispatch to educational and correctional institution in December 2008.

For full implementation of the Law on Execution of Sanctions, bylaws have been adopted for improvement of the material and security conditions as well as control measures in penitentiary institutions.

In view of the improvement of penitentiary institutions, another closed type institution was established - Penitentiary Institution Stip.

The Programme for financing construction, reconstruction and maintenance of facilities and equipment of penitentiary institutions for 2008 (Official Gazette of the Republic of Macedonia No. 41/08) in the part of construction and craftsman activities to be realised by budget funds with the loan provided by the Council of Europe Development Bank, for construction of a new wing to the Prison Skopje for detention of 170 persons, which is planned to be completed by March 2009; thus significantly improving the conditions for stay of the detained persons.

Construction works for the new Prison Kumanovo are completed.

The new kitchen and dining room in the Prison Tetovo are fully equipped, and sanitary facilities have been renovated.

Additional staff will be employed in DES and the penitentiary institutions to strengthen their administrative capacities as well as implementation of continuous training relating to security, health care, re-education and re-socialisation.

It is planned to improve the conditions in the penitentiary institutions Idrizovo, Stip and Struga, the prisons in: Skopje, Strumica, Ohrid, Kumanovo, Tetovo, Bitola and Gevgelija. In order to ease the burden of the detention capacity, it is envisaged to establish detention units in two more semi-open-type penitentiary institutions in the Prison Strumica and in the Prison Kumanovo, which are expected to become operational in the beginning of year 2010.

Programme for Training and Education of the staff in penitentiary institutions and educational and correctional institutions based on initial and continuous training to the staff in the penitentiary institutions of all target groups (security, health care and re-socialisation) has been prepared.

Additional staff will be employed in DES and the penitentiary institutions to strengthen their administrative capacities as well as implementation of continuous training relating to security, health care, re-education and re-socialisation.

Economic and social rights

In the course of 2009, it is planned to realise the activities focused on harmonisation of the legal regulation in the area of education by the Law on Equal Opportunities for Women and Men, aimed at inclusion of the gender concept in the education and professional training curriculum; thus providing mechanisms for elimination of prejudices and stereotypes related to establishing equal opportunities for women and men in the educational process.

The activities focused on *implementation of the Law on Equal Opportunities for Women and Men on local level* will continue. The programme for strengthening the capacity of the Commissions and coordinators for equal opportunities on local level will be implemented in the course of 2009, through assessment of their needs and setting up mechanism for coordination and cooperation between the Sector for Equal Opportunities in the Ministry of Labour and Social Policy and the Commissions in the local self-government units.

The implementation of the Law on Equal Opportunities for Women and Men will continue through realisation of actual activities for strengthening the capacities of the Coordinators for Equal Opportunities for Women and Men within the Ministries in the Government of the Republic of Macedonia. In that regard, a series of training to those Coordinators will be realised.

Within the framework of the Community Programme for Employment and Social Solidarity PROGRES, during 2009, the civil sector (two non-governmental associations) financially supported by the Ministry of Labour and Social Policy will realise the Project "Macedonia without Discrimination" intended for strengthening the public awareness in the field of non-discrimination on all grounds, and in particular youth awareness of the benefits from equality and existence of diversities among the citizens of the Republic of Macedonia. The Project is aimed at promotion of the legal framework and of the relevant actors' capacity as well as promotion of the partnership between the national and local authorities, civil society and expert public relating to mechanisms for monitoring of the non-discrimination issue on all grounds in the Republic of Macedonia.

In 2009, the Programme for Economic Strengthening of Women in Rural Areas will be realised and research will be performed to determine the position of those women in the Republic of Macedonia.

Analysis of the reasons for discontinuation of education with pupils in rural areas will be made in cooperation with the Ministry of Education and Science, in particular with female representatives of the non-majority ethnic communities. The analysis will be followed by working meetings with the pupils' parents for the purpose of their re-integration in the educational system.

The legal regulation has been promoted related to the *protection of the family violence victims*, thus providing opportunity for self-initiation of court proceedings on imposing provisional measures for protection of the victim themselves and implementation of the part of the measures for protection of person-victims of family violence by the civil organisations. In that direction, within the framework of the amendments determined in the Criminal Code amendment of the provision referred to in Article 56 has been envisaged, so that the perpetrators of criminal acts – family violence may be imposed a conditional sentence by attendance of working programme with violators to be implemented by counselling services established by the Ministry of Labour and Social Policy.

The implementation of the National Strategy for Family Violence Protection 2008 – 2011 is ongoing, in which framework priority areas are identified for promotion of the social welfare system in relation with family violence, further steps are determined and coordination measures and activities of the competent institution are adjusted in coordination with the civil sector aimed at prevention and reduction of family violence and adequate protection and aid to the family violence victims. During 2008, realisation of specific planned activities for implementation of the Strategy was initiated. National Coordinative Body was established to monitor and evaluate the implementation of the Strategy. A multisectoral coordinative approach was established in protection of family violence victims, through setting up inter-ministerial working group for drafting *Single Protocol for Action in Case of Family Violence*, in which detailed procedures will be determined for various subjects included in the cases of family violence. This Work Group comprises representatives from different institutions and entities such as, the Ministry of Labour and Social Policy, the Ministry of Health, the Ministry of Interior and NGO representatives.

To build capacities for fight against family violence and work with family violence victims on local level, multisectoral training was carried out for combating family violence. The participants in this training were professionals from centres for social work, healthcare institutions, police, local self-government units as well as representatives from non-governmental organisations engaged in this area.

Four training courses on this subject for judges and public prosecutors were organised by the Academy for Training of Judges and Public Prosecutors in cooperation with the Ministry of Justice, the Ministry of Labour and Social Policy and the NGO (ESE).

In accordance with the Action Plan for prevention and combating sexual abuse of children and paedophilia 2009-2012 adopted in 2009 by the Government of the Republic of Macedonia, drafting and realisation of measures and programme will be initiated for treatment of persons convicted for committing sexual abuse of children and paedophilia – during and after serving the imprisonment sentence.

During 2008, training for judges and public prosecutors was carried out on this subject organised by the Academy for Training of Judges and Public Prosecutors, and other training courses on the same subject are anticipated in the Annual Calendar for 2009 in cooperation with the Ministry of Justice, the Ministry of Labour and Social Policy and NGO (Megjashi and Happy Childhood).

Within the framework of the reform in juvenile legislation, a new Law on Juvenile Justice has been adopted, in which the standards defined in the ratified international conventions and documents for the child's rights are operational:³ Having into consideration those standards, the Law is based on the following principles: protection of a juvenile and his/her rights, socialisation and aid in the treatment of the juvenile, restorative justice and prevention of juvenile delinquency.

For the purpose of efficient implementation of the Law on Juvenile Justice, Action Plan (2008 – 2009) has been adopted with defined activities, terms and competent institutions for its realisation. Bylaws have been drawn deriving from the Law on Juvenile Justice. Programme for special training to police inspectors and programme for continuous training to the personnel in the social protection system has been drafted. Initial and continuous training was carried out to judges and public prosecutors, lawyers, to all of the teams from the Centres for Social Work (SWC) as well as to the police officers (uniformed and inspectors for juvenile justice). This training directly contributes to fulfilling the international standards related to specialisation of the juvenile justice system. Draft programmes for specialised training to police inspectors and programme for continuous training to personnel in the

³ UN Convention on the Rights of the Child with the Protocol on the Involvement of Children in Armed Conflict and Protocol on the Sale of Children, Child Prostitution and Child Pornography, Convention against Transnational Organised Crime and Protocol against Trafficking in Persons, Especially Women and Children, Riad Guidelines for Prevention of Juvenile Delinquency of 1990 and the Council of Europe Recommendation No R (87) 20 on Social Reaction to Juvenile Delinquency.

social protection system were drafted. The first regional conference for judges and prosecutors was held, aimed at exchange of experiences on the practical application of the novelties incorporated in the Law on Juvenile Justice.

The network of groups working with parents of children at risk and child perpetrators of criminal acts has been extended. Training to the expert personnel in four CSW and one institution for work with parents was carried out as well as three evaluation workshops. In this manner the number of established educational centres is eight (compared to 4 in 2007). Draft professional-methodological guidelines on CSW treatment of children at risk and juvenile perpetrators of criminal acts was drawn which is to be adopted and applied as of 2009. The Faculty of Security (Police Academy) has realised two initial training courses on juvenile justice. 41 police officers were trained in the part of uniformed police.

With regard to the training to judges and public prosecutors, organised by the Academy for Training of Judges and Public Prosecutors and the UNICEF in 2008, two training courses were realised attended by a total of 55 participants, of which: 13 judges, 19 public prosecutors, 6 expert associates in the courts and 17 participants from the Ministry of Labour and Social Policy. Trainings on this subject are also anticipated with the Calendar of the planned training for 2009 as well as one study trip.

The public institution Institute for Social Activities carried out training to 90 social workers and it is planning to carry out such training to the new employees in the Institute.

The Ministry of Justice will continue to coordinate the activities related to realisation of the Action Plan for implementation of the Law on Juvenile Justice adopted in 2008 and regularly inform the Government thereof.

Upon the implementation of the Law on Juvenile Justice in 2009, National Strategy for Prevention of Juvenile Delinquency will be adopted. Research on the capacity of the system for implementation of the Law on Juvenile Justice and current resources will be performed.

Institutional and staff strengthening of the Centres for Social Work has been envisaged in accordance with the Action Plan as well as setting up State Council for Prevention of Juvenile Delinquency as independent and autonomous body comprising 15 members appointed by the Assembly of the Republic of Macedonia. Annual Programme and Plan for realisation of the State Council for Prevention of Juvenile Delinquency Programme. Furthermore, Fund for Compensation of Juvenile - Victims of Criminal Acts will be established, to be managed by the State Council for Prevention of Juvenile Delinquency. The Fund will be financed to the amount of 2% of the funds collected in the Budget of the Republic of Macedonia from fines imposed by the courts for criminal acts and misdemeanours and charged in the previous year. System for keeping single records of imposed sanctions and crimes and misdemeanour sanctions will be set up in the Basic Court Skopje I Skopje.

Competent institutions will continue to create and adopt special programmes for training of relevant personnel, developed and implemented by international and national experts. The Ministry of Labour and Social Policy will work on establishing conditions for realisation of educational measures (disciplinary centre), alternative measures as well as creation of alternative services (special foster families). The Ministry of Labour and Social Policy in cooperation with the Public Institution Institute for Social Activities, in 2009, will continue the training to the personnel in the Centres for Social Work and provide funds for employment of 53 experts in the Centres for Social Work.

The Bar Association of the Republic of Macedonia will realise education and training to the lawyers that will work with juveniles.

The Government will continue the cooperation with UNICEF in the realisation of the major part of the activities provided for in the Action Plan.

Minority rights, protection of minorities and cultural rights

The Law on Promotion and Protection of the Rights of the Representatives of the Communities constituting less than 20% of the population in the Republic of Macedonia was adopted in 2008. The Law governs the procedure for monitoring the realisation, promotion, and protection of the rights of the representatives of the communities that are less than 20% of the population in the Republic of Macedonia, the supervision of the implementation of the provisions referred to in the law determining those rights and the establishment of a special agency.

In addition, the Law on Use of a Language Spoken by at least 20% of the Citizens of the Republic of Macedonia and in the Local Self-government Units was adopted in 2008, according to which the language spoken by at least 20% of the citizens of the Republic of Macedonia shall be used in the Assembly of the Republic of Macedonia, citizens' communication with ministries, court proceedings, administrative procedure, execution of sanctions, Ombudsman, election process, in direct expression of the citizens, when issuing personal documents to the citizens, in keeping personal identification records, in applying police authorisations, broadcasting, infrastructural facilities, local self-government, finance, economy, education and science, culture and in other areas and institutions.

Policies and activities relating to Roma inclusion in the Republic of Macedonia are anticipated within the framework of the National Strategy for the Roma of the Republic of Macedonia and the Roma Inclusion Decade as well as in the relevant National Action and Operational Plans for implementation of the planned activities.

For the purpose of strengthening the administrative capacities within the Ministry of Labour and Social Policy, a new *Unit for Implementation of the Strategy and the Roma Inclusion Decade* has been set up competent for coordination and monitoring the implementation of all activities to be realised. The Unit will prepare reports for the activities realised and results accomplished on regular basis, provide immediate cooperation with Roma Information Centres, Roma non-governmental organisations and etc.

The following projects are ongoing, focused on promotion of the Roma situation in the Republic of Macedonia:

- Project for *inclusion of Roma children in pre-school education* (kindergartens). This project is in fact continuation of the project realised in the previous two years, whereas in this phase - which started in October 2008 – in the provision of funds for this activity, the local self-government units on which territory the 15 kindergartens are located are being included in the programme. For more successful and efficient implementation of this project, 16 nannies are engaged from Roma ethnic community to work with the Roma children in the kindergartens.
- Continuation of the activities related to opening and operation of *Roma Information Centres* with the aim to inform, assist and support the representatives of the Roma ethnic community in accomplishing their practical needs and their prompt integration in the society in accordance with the priority areas of the Roma Decade and the Strategy. Within the framework of this project, in the course of 2008, 4 Roma Information Centres were additionally opened, functioning as a link between the Roma community and institutions on local level. Centres also continue their operation in 2009 and, if necessary, and if funds are provided, 2 new Roma Information Centres will be opened.
- Implementation of the *Project for Employment of the Roma through Training*, constituting one of the active measures for employment. The Ministry of Labour and Social Policy in the implementation of the project allocated EUR 40,000.00 for employment of 100 persons in 12 cities of the Republic of Macedonia through training for given employer.
- MLSP financially supported by OSCE Mission in Skopje and technical support by the Ludwig Boltzmann Institute of Human Rights – BIM revised the National Action and Operational Plans related to the four priority areas of the Roma Decade and the Strategy (employment, education, health and housing). Members of the Government Coordination Body and experts of the sectoral ministries participated in the revision of those documents.

The Ministry of Labour and Social Policy, within its budget, allocated MKD 11,000,000.00 in 2008 for implementation of those projects.

At the same time, a number of projects are implemented focused on promotion of the inclusion of the Roma in the *educational system*, through projects for increasing the success and the rate of retaining the Roma in primary education, projects for increasing the number of the Roma with completed secondary education, provision of scholarships and tutorial assistance for Roma pupils, and etc.

Recently, activities were realised towards the *infrastructure improvement* in the settlements, where mostly Roma population lives. Financed by the Budget of the Republic of Macedonia, the local self-government, as well as by foreign donations, projects for building and improvement of water-supply and drainage systems, for designing urban plans, streets and other infrastructure projects are being realised. The Ministry of Transport and Communications allocated MKD 5,000,000.00 from its budget in 2008 for realisation of those activities.

Special attention is paid to the programmes for inclusion and bigger coverage of the Roma population in the *health protection* system and improvement of the approach to the health services. Activities for regular vaccination of the Roma children, education for prevention of HIV/AIDS transmission within the Roma community, control and education on tuberculosis, and free gynaecological examination of the Roma women etc. are being conducted.

In the part of activities for Roma social inclusion, the active implementation of the Roma Strategy in the Republic of Macedonia as well as of the Action Plans, in accordance with the Roma Inclusion Decade 2005-2015, will continue. It is planned to prepare Action Plans for Roma inclusion in the areas such as the protection of human rights and political participation, promotion of the Roma culture, social inclusion, and etc.

The operation of 12 Roma Information Centres as partnership projects with Roma NGO will continue in 2009, and it is anticipated to realise additional training to 24 employees in the Information Centres for strengthening their capacity for provision of support to the Roma population in the part of mediation in supply of identification documents. Analysis of the need for opening additional Roma Information Centres is anticipated.

A business incubator is foreseen to be open to support of the Roma employment, through provision of training in the area of entrepreneurship and setting up small and medium-sized enterprises and family businesses.

The Project "Inclusion of Roma Children in Pre-school Education" will be further implemented in the course of 2009, and based on the positive results and achievements demonstrated in the implementation of the project in the previous two years, the Ministry of Labour and Social Policy in cooperation with the Roma Education Fund from Budapest and the local self-government, will ensure implementation of the project in the course of 2009/2010 school year.

In the part of strengthening the administrative capacities for coordination of those activities, additional staffing in 2009 has been anticipated of the Unit for Implementation of the Roma Strategy and Decade within MLSP, with 3 new employees. In addition, implementation of a programme for training and building their capacities for accomplishing coordination and realisation of multisectoral activities for the Roma inclusion has been planned.

With regard to enhancing the capacity of the Ombudsman, and supported by the IPA Funds, determining the training needs and adoption of a plan for training of the Ombudsman have been anticipated. For the purpose of promotion of the cooperation between the Ombudsman and administration, workshops will be implemented for the employees in the Ombudsman's Office and administration at local and central level. At the same time, public campaign will be implemented for introducing the citizens with the Ombudsman's competences as well as additional staffing of the Ombudsman's Office for reinforcing the administrative capacity.

1.7 REGIONAL ISSUES AND INTERNATIONAL OBLIGATIONS

REGIONAL COOPERATION

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

Special attention will be paid to:

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

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

Republic of Macedonia remains committed to the development of the bilateral relations with the neighbouring countries and with the Western Balkan countries.

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

The Republic of Macedonia has committed to continue building good relations and developing comprehensive cooperation with the Republic of Greece. The Republic of Macedonia is interested in continuing the political dialogue by effectuating visits on the highest, high and working level, for which several invitations were sent in a number of occasions, as well as, without delay, reconciliation and signing of bilateral agreements on promotion and mutual protection of investments, and avoiding dual taxation, as well as agreements on scientific and technical cooperation, cooperation in health, social security and facilitating small border regime. The implementation of the Neighbouring Programme with the Republic of Greece 2004-2006 contributed to promotion of cross-border cooperation, and the Operative Programme for Cross-border Cooperation within the IPA has been programmed. For the purpose of promoting the cross-border cooperation, it remains in the interest of the country to open new border crossing points to the Republic of Greece: Markova Noga – German (in the function of the Euro-Park Prespa), Pulevec-Ardea (to define the eco-region Kavadarci-Ardea), Bitola-Lerin through revitalisation of the railroad, which is not operational at the moment and Nikolik-Star Dojran.

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

On the NATO Summit at Bucharest in April 2008, Greece blocked the invitation for membership of the Republic of Macedonia in the Alliance. In November 2008, the Republic of Macedonia filed Application at the International Court of Justice in Hague against Greece due to violation of Article 11 of the Interim Accord.⁴ The Application is aimed to protect the Interim Accord from further violations, as an international agreement of essential importance for normalisation of the relations with Greece and integration of the Republic of Macedonia in the international organisations as a prime priority of the country foreign policy. Subject of the Application is not the issue of the different positions regarding the name. The Republic of Macedonia remains committed to the negotiation process under the auspices of the UN focused on reaching solution on the name issue.

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

In 2009, it is foreseen to intensify the cooperation within the frames of the European regions and infrastructural projects of common interest such as the Skopje – Sofia Railroad, Kumanovo - Deve Bair – Sofia Motorway, the AMBO Trans Balkan Oil Pipeline and construction of three border crossing points: Berovo - Sandanski (completed from the Macedonian side), Pehcevo-Simitli and Delcevo - Nevestino, according to the signed inter-state agreements.

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

In 2009, the Joint Macedonian - Albanian Committee for the Ohrid Lake basin will continue its activities, in accordance with the Agreement on Protection and Substantial Development of the Ohrid Lake and its Watershed of 2004.

The relations with the Republic of Serbia, in 2008, are characterised with certain stagnation in the political dialogue between the representatives of both countries. The relations have been “frozen” particularly after the decision of the Government of the Republic of Macedonia on the recognition of Kosovo independence, followed by expulsion of the Macedonian Ambassador from Belgrade.

Even though the relations have been valued satisfactory without open issues, it is necessary to overcome the situation in the relations between the Macedonian Orthodox Church (MOC) and the Serbian Orthodox Church as well as the obligations undertaken by the Serbian side in accordance with the Border Agreement regarding St. Prohor Pciniski. In the area of agreements,

⁴ not to object to the application for membership by or to the membership of the Party of the Second Part in international, multilateral and regional organisations and institutions of which the Party of the First part is a member; however, the Party of the First Part reserves the right to object on any membership referred to above if and to the extent the Party of the Second Part is to be referred to in such organisation or institution differently than in paragraph 2 of the UN Security Council Resolution 817 (1993)”.

for a long period there is no response to the Macedonian proposals on signing an Agreement on Property and Legal Relations, Agreement on Protection and Use of Culture and Historic Monuments and Symbols in the Territory of both countries, Agreement on Mutual Recognition of Diplomas, Agreement on Establishing Culture and Information Centres in Belgrade and Skopje and Protocol on the Use of Military and Medical Health Institutions in both countries.

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

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

The Republic of Macedonia supports the efforts of the international community related to completion of the political process for defining the final status of Kosovo. It has supported the proposal provided by the Special Envoy of the UN Secretary General Mr. Martti Ahtisaari as a good basis for the solution of the status in line with the basic principles of the Contact Group for Kosovo. On 9 October 2008, the Government of the Republic of Macedonia, under the Resolution of the Assembly of the Republic of Macedonia, recognised the independence of the Republic of Kosovo. Conclusion of Agreement for Establishing Diplomatic Relations between both countries is pending. Following the adoption of the six-item Plan of the UN Secretary General, Ban Ki-moon, and the EULEX deployment in the whole territory of Kosovo, the Republic of Macedonia thoroughly follows the situation on the terrain and assumes the position that any division of Kosovo on ethnic grounds may be extremely dangerous and may lead to destabilisation of the region as a whole.

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

The bilateral relations between the Republic of Macedonia and Montenegro are increasing on all levels. So far, eight bilateral documents have been signed for cooperation and activities for conclusion of the remaining agreements and contracts of common interest for further development of the bilateral relations are ongoing. The General Consulate of the Republic of Macedonia in Podgorica commenced its activities in September 2005, and upon the independence it was enhanced to the level of Embassy. The Republic of Macedonia is prepared to transfer its experiences in the process of integration of Montenegro in the European and Euro-Atlantic structures, and for that purpose Memorandum for Cooperation in the Process of European and Euro-Atlantic Integrations between both Governments was signed on 25 December 2008 during the first official visit paid by the President of the Government of the Republic of Macedonia, Mr. Nikola Gruevski, to Montenegro. The list of bilateral agreements concluded between both countries is to be extended by the Cooperation Agreements on Tourism, Protection from Natural and other Disasters, Protocols on Scientific-technical and Economic Cooperation in the Field of Agriculture, Forestry and Water Management, on Air Traffic, also signed during the said visit.

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

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

The relations with the Republic of Turkey have risen to very high level and are in the spirit of friendship and lack of any open and disputable issues as well as strong commitment to further extending bilateral cooperation in numerous fields of mutual interest.

Both countries have common European priorities and bilateral consultations and exchange of experiences, on regular basis, with regard to the EU integration process issues. Turkey strongly supports NATO membership of the Republic of Macedonia continuously. During the latest official visit to Turkey by the Minister for Foreign Affairs, Mr. Milososki (11 November 2008), the Strategy for Strengthening the Bilateral Relations between Republic of Macedonia and Republic of Turkey was signed, reaffirming common commitment for further extension and strengthening of the partnership between both countries, based on common objectives, interests and values.

INTERNATIONAL OBLIGATIONS

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

Republic of Macedonia has realised several preparatory activities for return of the cases in the competence of the state, and the previous year four cases were returned to be processed in the Republic of Macedonia. Pursuant to the Law on Cooperation between the Republic of Macedonia and the International Criminal Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia, and in cooperation with OSCE and international community, monitoring will continue regarding all procedures related to the cases returned from the Hague Tribunal.

For further promotion of the judges' and public prosecutors' expertise and experience as well as their preparedness to resolve complex cases in the area of the international humanitarian law, during 2007 several study visits and specialised training sessions were carried out, intended for judges, public prosecutors, expert associates, members of the court administration as well as for the employees in the Ministry of Justice.

In the course of 2008, the Government of the Republic of Macedonia adopted the Information on the Programme for Implementation of the International Criminal Tribunal Statute and the Provisions of the International Humanitarian Law for compensation of the victims and persons deprived from their freedom – prisoners of war and interned civilians for the period 2009-2010. The activities planned under the 2009-2010 Programme are being implemented. Adoption of the Statute of the International Criminal Tribunal in the legislation of the Republic of Macedonia is envisaged.

II ECONOMIC CRITERIA

I. EXISTENCE OF A FUNCTIONING MARKET ECONOMY

MACROECONOMIC STABILITY

In 2009, the strategy of de facto fixed exchange rate will continue to apply for the purpose of maintaining the price stability as a final monetary goal. Having in mind the expected reduced domestic market demand and lower inflows of private transfers in the economy in view of the global economic crisis, the stabilisation of the foreign exchange rate market is expected to be the biggest and the most serious challenge in the 2009 monetary policy. The maintenance of the exchange rate stability is an intermediate aim of the monetary policy and the basic precondition for maintenance of stable and low inflation and inflationary expectations, therefore all monetary measures and instruments will be put in function of these goals.

Inflation

The inflation stabilisation shall be mainly expected in 2009, on a level ordinary for the Macedonian economy before the shock appearance as a result of the growth of world food and oil prices starting from end-2007 and the beginning of 2008. The domestic and external sector conditions should be in favour of these expectancies. From the aspect of the domestic factors, the expectations of falling of the personal consumption in accordance with the expectations for gradual lowering of crediting activity and uncertain private transfer dynamics, they should be considered to contribute for reduction of the pressure resulting from the aggregate demand. The changes on the demand side are expected to have additional influence in the direction of lowering the inflation in the following period in accordance with the expected reduced pressure of import prices on domestic prices (reduced and stable oil prices and food prices stabilisation).

Having in mind such expectations, the average inflation rate in 2009 is expected to spread between 2.2% and 3.4%. The inflation variations will mainly depend on the food price movements as its dominant component. Should the food prices stay relatively stable, reference to the biggest part of the world forecasts and the movements of the futures markets, the average inflation would be close to the lower margin. Contrary to this, should the food prices still continue to gradually increase, the average inflation would be close to the upper margin.

Economic Activity

The projections of the domestic economy growth in 2009, to a large extend, should be conditioned by the expectations of the duration of the global recession and the edge of its possible consequences on the economies not directly affected by the recession.

The economic growth in 2009 is mainly expected to continue, but with significantly lower dynamics, primarily by the influence of the deceleration of the economic activity in global frames. As analysed by the production side of GDP, the growth in 2009 is expected to be caused by those sectors in the economy which are less directly or indirectly affected by the global economic crisis, which are civil engineering (whose growth is expected to be driven by performance of infrastructural investment projects financed by the public sector) and the agriculture (in accordance with the stimulating agricultural policy). Within the frames of the service sector, withholding of stable growth rates of the financial mediation and telecommunications may be expected, on the other side trade growth deceleration as a result of the expectancies of the personal demand decrease. In case of industry, moderate growth rate may be expected in 2009, mainly conditioned by the expected growth in the food industry and the intermediate product manufacturers (chemical industry, rubber products and plastic material, production of oil derivatives, non-metallic minerals) which is expected to be neutralised by unfavourable accomplishment of the branches directly affected by the global economic crisis (metal and metal processing industry, mining, textile industry). As analysed from the aspect of the expenditure aggregates, lower contribution on the personal and investment demand may be expected in 2009, whereby simultaneously reduced negative contribution may be expected by the exchange abroad in view of reduced import expectations. In general, applied approaches (including the approach that includes the effect of reduced foreign demand by the most significant trade partners) refer to the GDP growth in 2009 from 3% to 4.4 % which is within the frames of the projection interval for GDP from other institutions.

External Sector

In 2009, a current account deficit of 10.5% of GDP, which is a narrowing of the negative gap (by approximately 4 percentage points compared to 2008), shall be expected in the projections of the balance of payment. This flow of the current transactions, in conditions of reduced contribution of the private transfer inflows to GDP (from 14.4% of GDP in 2008 to 13.8% of GDP in 2009) the expected deceleration of the developed economies, reflects the expected trade deficit to be reduced. Namely, in 2009 the movements in the foreign trade are expected to be influenced by the world global recession which has negative impact on the real sector (the slow domestic economy growth is envisaged), the reduced domestic and foreign demand, as well as more favourable exchange conditions (mainly as a result of the fall of the world oil prices, in spite of the metal prices). Furthermore, the import of

goods is expected to experience small fall at annual basis by 2.5%. Thereby, having in mind the import-export dependence of the Macedonian economy, significant deceleration of the annual growth of the import of goods (2.3%) is expected.

However, in the following years, gradual enhancement of the movements in the balance of payment in order to stabilise the exchange conditions through reduction and normalisation at the level of world prices of energy sources is expected. Simultaneously, in view of the fact that the direct investments in the initial phase are accompanied with the increased equipment import, their positive effects on the market side are expected with a certain time delay. At the same time, on the capital account, higher inflows can be expected due to the liberalisation of the real estate transactions. Furthermore, the current account deficit on medium term is expected to gradually reduce.

Public Finance

On the basis of the revised fiscal projections for the next medium-term period, the effects of the global economic crisis are incorporated within them (they are not covered within the 2009 Budget) as well as the fiscal effects of the assumed measures for the purpose of the protection of the Macedonian economy. Such established projections for the next medium-term period shall be based on several basic postulates:

- maintenance of the macroeconomic stability and stimulation of sustainable growth rates of 5 - 6% of GDP;
- fiscal harmonisation resulting in maintenance of low and controlled level of fiscal deficit and low level of the public debt;
- planning of optimal level of incomes which include the effects of the prevention measure package for the purpose of assistance to the Macedonian economy and mitigation of the consequences from the world crisis and recession;
- planning of expenditures providing rational and appropriate assets use and increased investments in road and rail infrastructure, as a fiscal stimulation for the economic growth.

In the following short-term period the Budget of the Republic of Macedonia is determined by deficit controlled level of 2.8% regarding the planned gross domestic product, which includes the deficit of the Central Budget and the Budget of the Agency for State Roads. The deficit of the Central Budget for the period 2009-2011 is envisaged at the level of approximately 2% - 2.4% of the planned GDP (including the credit withdrawals of the budget beneficiaries on their own accounts of approximately 0.7% of GDP). The planned deficit of the Budget of the Republic of Macedonia for the following medium-term period shall be financed by domestic sources through continuous emissions of securities and bonds, using the state deposits and possible additional bylaws through foreign indebtedness (World Bank credits and credit lines aimed at financing particular projects). The foreign indebtedness as a financing source shall be used by the budget beneficiaries for specific infrastructural projects.

FREE INTERPLAY OF MARKET FORCES (PRIVATISATION)

Economic activities in the country are based on dominant private ownership including total market economy functioning based on the principles of free interplay of the supply and demand. In 2007 two companies from the PE Macedonian Railways were in the process of privatisation. For one of them, "Remont na Prugi i Niskogradba" DOOEL - Skopje, the procedure was successfully finished, and for the other, "Fabrika za Sinski Vozila" DOOEL - Veles the procedure for selling the state capital continues. The PE Macedonian Railways experienced thorough restructuring process, whereby it was divided into two new enterprises: Public enterprises for railway infrastructure Macedonian Railways - Skopje and joint stock company for transport Macedonian Railways Transport JSC - Skopje. Apart from adoption of the laws and bylaws, the process of transformation of PE Macedonian Railways covered the preparation of three studies financed by the World Bank. The beginning of 2009 shall also mean implementation of the results coming from two studies regarding the following: payment of the railway infrastructure access and payment of the public interest services (for road traffic), as well as completion of the third study regarding the cost reduction and productivity increasing, both for the two newly formed companies.

Within the framework of the Government anti-crisis measures, the Law on Conversion of the State Long-term Equity Investment in EMO JSC Ohrid, JSC OHIS Skopje, JSC Tutunski Kombinat Prilep and JSC Eurokomposit Prilep was adopted, which are dominantly state-owned companies. The purpose of these measures is to make the companies more attractive to the interested investors, thus releasing them from the burden of excessive liabilities and improving the existing participation of the state capital which would be subject to selling (except for JSC Eurokomposit Prilep which is a 100% state-owned company).

LACK OF MORE SIGNIFICANT BARRIERS TO MARKET ENTRY (OPENING OF NEW COMPANIES) AND EXIT (BANCROPTCY, LIQUIDATION)

Market Entry

One of the basic strategic priorities of the Government of the Republic of Macedonia is business climate improvement. It is a process in which the country should continuously improve the legal framework for the business, the capacity of the regulatory bodies monitoring the market and development of the institutions through which the business community can communicate and cooperate. The previous should be in a manner which is in accordance with the EU *acquis*. It particularly refers to the harmonisation of the national legislation with the EU *acquis* in the area of trade companies and corporative management, the one-

stop-shop system, accounting and audit.

The creation of a harmonised legal framework with the EU *acquis* regarding the one-stop-shop system and the trade companies is crucial for establishment of the basis for competitive level playing field. The Republic of Macedonia is among the first countries in the world regarding the speed of company registration (4 hours) and has full electronic networking of all institutions involved in the business registration procedure. The capacity of the Republic of Macedonia for electronic administration of the data subject to publication by the business sector in accordance with the valid provisions has been developed. The Central Register is the body in charge of registering the trade entities and management of the one-stop-shop system through the database for the single trade register and other registries. This institution is in charge of the registration and the entry of the data in the trade register for trade entities in electronic form. In 2008, the aim to develop the software for electronic submission of annual accounts has been accomplished and the initial technical and technological level of the CRRM for future implementation of the XBRL standard relating to annual accounts has been established. A number of key projects are prepared in accordance with the programme for development of a Central Register of the Republic of Macedonia which is to be realised in the period 2009-2010. All these projects are comprised by the common name "Development of one-stop-shop system - phase 2". The implementation of "Development of one-stop-shop system - phase 2" is in progress and covers projects for further enhancement of the market entry and exit. In the following period the activities shall be focused on establishment of:

- 1 E-registration - electronic system for registration of trade companies and other legal entities
- 2 E-bankruptcy/E-liquidation/Blacklisted directors – electronic system for registration of all phases of bankruptcy and liquidation and for the black list of directors
- 3 E-integration – Integration of the Employment Agency, Pension and Disability Insurance Fund and Health Insurance Fund in the one-stop-shop system
- 4 Disaster recovery system (Skopje/Stip)- Disaster Recovery System in the Central Register of the Republic of Macedonia
- 5 XBRL Strategy - Strategy for standardisation of electronic exchange of financial and business information and data in the Republic of Macedonia
- 6 E-leasing/E-pledge – electronic system for submission of documents in the register of leasing and register of pledges

Full electronic service for opening of companies is expected to be operational with the implementation of these activities, thus providing additional acceleration as well as facilitation of the procedure.

Regulatory Guillotine

Within the activities for realisation of the project "Regulatory Guillotine", three sets of recommendations have been submitted to and adopted by the Government of the Republic of Macedonia.

The recommendations were focused on simplification and reduction of the administrative procedures, documentation, compensations and time limits, as well as elimination of the unnecessary, i.e. non-harmonised regulations of the legal system of the Republic of Macedonia, dating from the former the SFRY and the SRM or for their replacement. A list of 2000 regulations (laws and bylaws) have been considered and reviewed, primarily by the government institutions and then by the business community which submitted more than 900 proposals and at the very end the Sector for Economic Policies and Regulatory Reform supported by independent experts has prepared the final recommendations. The three sets of recommendations cover the amendment of 545 regulations, 64 of which are laws and 481 are bylaws. 39 laws and 382 bylaws have been realised until now.

The Regulatory Guillotine is a continuous process through which the Government of the Republic of Macedonia continues the reforms aimed at enhancing the business climate and facilitate the process of business management.

Regulatory impact assessment

The legal framework of the Regulatory Impact Assessment (RIA) has been adopted in February and March 2008 through: Rules on Procedure Amending the Rules of Procedure of the Government of the Republic of Macedonia, the Regulatory Impact Assessment Methodology and the Decision on the form and the content of the regulation impact assessment form.

Implementation of the RIA methodology will be implemented in two phases, trial RIA and full RIA in accordance with the best EU practices. This process shall cover regular consultations between the public and private sector and the application of the Single National Electronic Register. The systematic monitoring and the quality assessment of the new regulations shall gradually increase within its domain. The Sector for Regulatory Guillotine has engaged consultants through the BERIS Project of the World Bank and the EAR/GOFRE Project for the purpose of providing technical assistance of the RIA process and USAID assistance has also been provided for the purpose of preparation of the National Electronic Register and formality reduction.

The legal obligation of all ministries for implementation of RIA entered into force on 1 January 2009. In this phase, the Regulatory Impact Assessment (RIA) shall cover all laws other than laws which are adopted by emergency procedure.

Market exit

Inclusive with June 2008 the new legal framework on liquidation has been implemented by the licensed bankruptcy trustees, the Chamber of Bankruptcy Trustees, the Bankruptcy Committee. The reduction of the backlog of bankruptcy cases shows that the undertaken reforms show results and the duration of the bankruptcy procedures has been reduced thus providing fast and easy market exit.

APPROPRIATE LEGAL SYSTEM (REGULATION OF PROPERTY RIGHTS, IMPLEMENTATION OF THE LAWS AND AGREEMENTS AND THE EFFICIENCY OF THE JUDICIAL SYSTEM RELATED TO THE ECONOMIC ISSUES)

Regulation of Property Rights

Pursuant to the Annual Programme for Operation of the Agency for Real Estate Cadastre for 2008, by end-2008 the Real Estate Cadastre was established on more than 82% of the territory of the Republic of Macedonia. By end-2009, 100% coverage of the territory of the Republic of Macedonia is envisaged to be established by the Real Estate Cadastre.

In the same direction, the improvement of the cadastre services and the regulation of the property rights in order to improve the business environment, the following activities have been envisaged for 2009:

- Roll-out of e-Cadastre for all regional units through the Republic of Macedonia during 2009;
- The completion of the GNSS network on the whole territory of the Republic of Macedonia by end-2009;
- Conversion and vectorisation of the geodetic plans – by end-2010
- Data exchange with partner institutions by the first quarter of 2009;
- Transfer of the intabulation books to the courts by the end of the third quarter of 2008; - deletion of the realisation by the AKN
- Transfer of the register of spatial units by the end of the second quarter of 2009;
- E-store (Internet) by end-2009.

The envisaged medium-term activities are as follows:

- Implementation of the centralised cadastre system by end-2010;
- Development and integration of ERP system by end-2010;
- Feasibility Study on Development of NSDI (National Spatial Data Infrastructure) by end-2010.

The forthcoming activities for enhancing of the independency of the judicial system and enhancement of the performance of the judicial function shall be directed at the implementation of legal decisions providing not only the independency but the responsibility while performing the function, as well as quality improvement and the assessment of the principals for promotion thereof. Actually, already existing reforms shall continue in the following period.

Implementation of Laws and Agreements

In order to ensure continuity in judicial reform, the implementation of the Law on Courts and the Law on Judicial Council, the application of the Rulebook on the procedure and criteria for monitoring and assessment of the judges work will continue thus providing quantitative and qualitative assessment of the judges work and the adoption of the Law on the Salaries of the Members of the Judicial Council will continue.

The implementation and the application of the Law on Courts, the finalisation of the construction works for renovating the Basic Courts as well as implementation of the Law on Court Service will follow.

In 2009, the implementation of the IPA Project - Support for better, effective and modern functioning of the Administrative Court is expected. The project activities will contribute to more efficient solution of the administrative disputes, enhancement of the human resource capacities within the Administrative Court and their training, enhancement in the part of the case management and their registration as well as improvement of the computer system.

In terms of improvement of the mediation, the monitoring and enhancement of the laws and bylaws will continue, improvement of the system through adoption of the new Law on Mediation providing extension in the area of mediation, regarding the application of the disputable relations, for quick and efficient dispute decisions for the purpose of the accomplishment of the common party interests. During 2009-2010 the organisation of the Chamber of Mediators and the functioning of the mediation shall be improved through activities for improvement of its implementation in practice, citizen information by the court or other authorised judicial bodies during the first rate court procedure, the possibility for dispute decision through mediation, enhancement of the mediators' capacities for the purpose of proceeding with the cases of mediation, by means of development of the programme for continuous education, as well as organisation of training, seminars and study visits.

SUFFICIENTLY DEVELOPED FINANCIAL SECTOR

The global financial crisis, that strongly affects the developed economies, does not have direct consequences on the domestic financial system. The relatively low integration level of the financial system of the Republic of Macedonia within the global financial

processes, mostly oriented towards working with domestic entities and the absence of complex structured products within the framework of activities carried out by the domestic financial institutions, were the main factors that helped the system to avoid the negative consequences from outstanding turbulences at the global financial markets. However, trends in the global economy in the second half of 2007 and the beginning of 2008 negatively affected the trends of certain domestic macroeconomic variables, which in conditions of increased competition have aggravated the conditions in the business environment in certain segments of the financial system.

Banking System

The banking system of the Republic of Macedonia comprises seventeen private banks, one state-owned bank with specific functions and eleven savings banks (situation as of 31 December 2008).

The role of the Banking Sector as a financial mediator is continuously strengthening, mainly due to the higher growth rate of bank assets in comparison to the annual GDP growth rate. On 30 September 2008, the level of financial intermediation, calculated as ratio of total assets, gross credits and total deposits to GDP amounted to 71.6%, 45.3% and 51.9%, respectively⁵ (30 September 2007: 66.5%, 37.2% and 47.6%, respectively⁶).

With 30 September 2008 inclusive, the total assets of the banks in the Republic of Macedonia amounted to MKD 253 billion.

On 30 September 2008 the deposit base in the banks amounted to MKD 184 billion and grew by 14.6% compared to 31 December 2007. Domestic deposits of non-financial persons represent the main source from which banks finance their activities. The share of foreign exchange loans and deposits from foreign banks amounts to 7.4% of the total liabilities of the banking system.

In the first three quarters of 2008, the Banking Sector realised a total profit of MKD 3.4 billion. The rate of return on assets (ROA) amounts to 1.9% while the rate of return on equity (ROE) amounts to 16.5%.

In the third quarter of 2008, signs of deceleration of dynamic growth of credit supply were noticed, that marked the last quarters. On 30 September 2008, total credits of non-financial entities amount to MKD 160.2 billion and compared to 30 June 2008, there had been a quarter growth of MKD 11 billion, i.e. 7.4%. On annual basis, the total credits grew by MKD 44.6 billion, i.e. by 38.5%. These growth rates are lower by 2.7 and 2.6 percentage points respectively, compared to 30 September 2007.

In the course of 2008, the NBRM made certain changes related to the structure of monetary instruments and undertook appropriate macro-prudent measures aimed at alleviation of the increased macroeconomic risks in the domestic economy and maintaining monetary and financial stability. Thus, as a reaction to the global trends, the National Bank has already undertaken preventive measures for limiting the possible risks within the Banking Sector such as:

- multiple increase of the treasury bills' interest rate;
- aggravating the treatment of credit cards-based claims and current accounts' negative balance in determining the capital adequacy ratio;
- an obligation for the banks to maintain certain minimum level of liquid assets for covering their liabilities that mature in the following 30 and 180 days;
- an obligation to allocate required reserve ratio to the National Bank, if the situation related to the loans provided to the population exceeds the envisaged growth rate for every single month;
- an opportunity for the banks to keep their foreign exchange deposits in the National Bank of the Republic of Macedonia;
- an obligation regarding the exposure of domestic banks to foreign high-class banks to be included in the calculation of exposure limits in full amount, and not as the past practices, only 20% of the amount;
- determining the type of securities that can be bought by the authorised banks and sold abroad afterwards, etc.

Insurance System

The insurance market in the Republic of Macedonia comprises 12 insurance companies, 8 insurance brokerage companies and 3 insurance representative companies.

According to the data provided by insurance companies for the third quarter of 2008, the total equity capital of the insurance companies is estimated at MKD 2.326 million. The equity capital of life insurance companies amounts to MKD 228 million. As regards the ownership structure of the insurance companies, the share of foreign legal persons as dominant owners is 76.23%, while the share of state capital is 5.3%. The foreign capital is dominant in 11 insurance companies, while 6 companies are in full ownership of foreign legal persons.

⁵ Indicators on the financial intermediation for the end of the third quarter of 2008 are calculated according to the GDP for 2007 (previous data).

⁶ Indicators on the financial intermediation for the end of the third quarter of 2007 are calculated according to the GDP for 2006.

The gross insurance premium as part of the non-life insurance group, within the period from 1 January 2008 to 30 September 2008 amounts to MKD 4.481 million and compared to the same period last year there is a growth of 5%.

Furthermore, within the frames of non-life insurance, the share of motor third party liability insurance in the gross insurance premium is dominant and amounts to 54.4%. This insurance class is distinguished due to the fact that comparing to the same period last year in which more than a half of the total amount of gross insurance premium in this insurance class belonged to two insurance companies, in the first three quarters of the current year there has been a significant breakout of the "new" insurance companies, established in the period following 2002.

It should be pointed out that property insurance is marked with significant fall of the gross insurance premium in the stated period compared to the same period of the previous year, amounting to 26.8%, i.e. MKD 737,264 for the first three quarters of 2008, compared to MKD 1,007,367 for the same period in 2007. Most probably, this is due to the aggravated competition in the insurance market and fall of the premium.

The gross insurance premium as part of the life insurance group, in the period from 1 January 2008 to 30 September 2008 amounts to MKD 170,806 and compared to the same period last year there is a growth of 37% (third quarter of 2007 – MKD 124,616).

In the course of the first three quarters of 2008, the supervision was operating within the Sector for Financial System, in accordance with the internal acts on organisation and systematisation within the Ministry of Finance. In most of the cases, acting pursuant to Articles 159 and 160 of the Law on Insurance Supervision, the Ministry of Finance was an authorised body for supervision of the market entities, in order to determine whether they conduct insurance activities according to the laws and other regulations in that area. Moreover, in cases where irregularities were determined, supervision measures were imposed, in order to make preventive influence, within the framework of legal competences, on maintaining financially stable operation in the future and adhering to the legal provisions for insurance companies risk management.

Capital Market

The total number of authorised participants in the capital market in the Republic of Macedonia that provide services related to securities is 28.

In the period January-June 2008, the profit realised through the Macedonian Stock Exchange amounted to MKD 4.47 billion or EUR 73.28 billion that compared to the same period of 2007 is a decrease of 68.90%. Buying and selling of shares amounted to MKD 4.03 billion or approximately EUR 66.2 million and compared to the same period of 2007 is a decrease of 70.36%, while buying and selling of bonds issued by the Republic of Macedonia amounted to MKD 432.06 million or EUR 7.08 million that compared to the same period of 2007 is a decrease of 42.35%.

With 31 October 2008 inclusive, 38 companies were listed on the Macedonian Stock Exchange, while the total capitalisation amounted to MKD 155.5 billion in the same period. The Macedonian Stock Exchange Index (MBI-10) amounted to MKD 3002.2 or approximately EUR 49.2.

Such negative trends in the area of capital market in the Republic of Macedonia mainly result from the global financial crisis, but at the same time result from the negative psychological effects on investors that made the investors reserved towards investing in securities, but also towards selling of securities in order to avoid potential capital losses.

With 31 October inclusive, the average share of foreign investors in the profit realised by buying on the Macedonian Stock Exchange amounted to 7.29%, while their average share in the profit realised by selling on the Macedonian Stock Exchange amounted to 68.61%.

The liquidity problems that arose along with the intensification of the crisis in their countries of origin are the reason for such withdrawal of foreign investors.

Currently, there are three investment - funds management companies that operate on the capital market in the Republic of Macedonia, that manage the operations of 8 open investment funds. Out of 8 open investment funds, 3 are already active, while 5 are in the phase of collecting resources. In addition, the Securities and Exchange Commission has registered 14 private investment funds managed by 9 private investment funds management companies.

Challenges for the Banking Sector

The Banking Sector and the National bank are facing several challenges in 2009. One of them is maintaining the system's stability and safety, as well as coping with possible difficulties as a result of external factors (possible consequences related to the international financial crisis on the real sector, and consequently on the financial sector as well).

The other challenge, that is also really significant, is successful implementation of the new regulatory framework. Namely, the National Bank, acting in accordance with the requirements from the new Law on Banks prepared an almost completely new secondary regulatory framework for banks, which to a great extent includes the international practices and standards. At the same time, a new accounting framework for banks based on the International Financial Reporting Standards (IFRS) was adopted. Implementation of the entire new regulation will commence at the beginning of 2009.

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

The Law on Supplementary Supervision of Financial Conglomerates will be adopted in 2009. The Law will impose new standards and obligations on financial institutions, as well as on supervisory bodies, including the National Bank of the Republic of Macedonia.

Market liberalisation, through the possibility for entry of branch offices of foreign banks is a solid basis for major intensification of activities in the banking sector. In addition, the banking sector will have to be properly prepared for the challenges resulting from the future liberalisation of the balance of payment capital account.

Challenges for the Insurance Sector

In accordance with the Law Amending the Law on Insurance Supervision (Official Gazette of the Republic of Macedonia No 79/07), establishment of an independent insurance supervisory body is envisaged - Agency for Insurance Supervision, aimed at improving the supervisory activities, creating a stable and sustainable insurance system and higher level of safety for the insured persons regarding the insurance services in the market of the Republic of Macedonia. The Agency will be competent for conducting supervision and imposing supervisory measures, misdemeanour measures, as well as drafting and adoption of bylaws related to the insurance market in the Republic of Macedonia for the purpose of establishing a uniform manner of reporting of the entities on the market, that will enable a comparative analysis within the framework of the financial system in the country, as well as abroad.

To that end, the inter-ministerial working group with participation of representatives from the Ministry of Finance, the MAPAS, the NBRM and the private sector adopted an Action Plan for Reorganisation of Insurance Supervision. According to the plan, it is envisaged for the Agency to be established with funds from the Budget of the Republic of Macedonia, while the Ministry of Finance shall be responsible for conducting all the preparatory activities regarding staffing, organisational and technical set-up of the Agency.

On a short-term, it is planned for the Agency to complete all cases commenced by the Ministry of Finance pursuant to the Law on Insurance Supervision and the Law on Mandatory Transport Insurance, to draft and adopt bylaws related to the risk management of the insurance companies, financial reporting and accounting of the insurance companies, procedures for obtaining permits and approvals and other bylaws that are to regulate the activities of the Agency.

The Agency will draft and adopt a plan for procurement of hardware and software in line with the provided budgetary funds and funds approved from technical assistance. These will match the needs of the supervision body.

The Agency will design a plan for training and professional improvement of its employees which will be realised in line with the approved financial funds.

The Agency will inform the public through on its operation on a specially designed website, and at the end of the year it will submit a report on its work and on the conditions and changes in the insurance market of the Republic of Macedonia.

The Agency will cooperate with other domestic and foreign supervisory bodies and authorities pursuant to the law.

Further development of life insurance services is expected in the insurance market, as well as of services that will be offered by the third pillar of the reformed pension system.

It is expected that the farmers' interest will grow in order to provide insurance from natural disasters, especially after the stimulating measures that the Government of the Republic of Macedonia has taken to participate in the premium payment of 30%.

On the other hand, in the future it is expected that the quality of corporative management with the insurance companies will be improved and use of the long-term benefits from the transparent operation and publishing of the data on the market.

On a medium-term further harmonisation is envisaged of the domestic legal framework with the EU regulations referring to the insurance groups, financial conglomerates, informing on a consolidated basis and the concept of risk-based supervision Solvency

In accordance with the priorities envisaged for amending the regulation, appropriate priorities will be dimensioned on institutional improvement of functioning of the supervision body and consideration of integration alternatives of financial market supervision bodies in the Republic of Macedonia.

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

SUFFICIENT HUMAN CAPITAL

Employment

Although the higher economic growth and a more flexible labour legislation improved the results in the labour market, there is still a significant space for improvement. Employment in the formal sector remains on a relatively low level while unemployment is still high. Therefore, the key element of the economic policies remains further improvement of the conditions for growth acceleration and promotion of employment.

In order to create more jobs, modernisation of the labour market and decent job offers, the concept of flexi-security is being promoted through enabling labour market flexibility, organisation of work and working relations on one hand, and employment and income security on the other. It means that the Government has taken the position of a combination of flexible job agreements, life-long learning, effective active policies in the labour market and modernisation of the social security system. Undoubtedly, the most important institution in the labour market is the Employment Agency of the Republic of Macedonia that during the 2007 and 2008 continued to strengthen its capacities and further modernisation.

With regard to improvements of the labour market policies and enabling better services to the employers, regular activity of the Employment Agency of the Republic of Macedonia has become research and analysis of the needs for skills in the labour market.

In that regard, the activities that are being undertaken within the CARDS Project "Technical Support for Employment Policy - Phase 3" are strengthening the capacity of the Employment Agency of the Republic of Macedonia through developing a model of services, assistance in designing local action employment plans, carrying out training referred to in the medium-term training plan, etc., and in the upcoming period the following is envisaged:

- drafting of a National Reform Programme on the basis on the European Guidelines for Growth and Jobs;
- drafting and implementation of an Operational Plan for Active Employment Programmes and Measures for 2009;
- preparation of local action plans for employment, in accordance with the already set practice for creation of action plans for employment on national level, as well as the European guidelines and experiences in this area;
- further increase of the capacity of the EARM, staffing and technical equipping of the Agency and of the local Employment Centres;
- realisation of promotional activities (brochures, flyers, web information etc.), with regard to bringing the Employment Agency of the Republic of Macedonia closer to its clients through promotion of services, presenting of the necessary information, as well as of the results achieved in the operation and implementation of the measures on the labour market;
- delivery of training, seminars and other activities for improving knowledge and skills of the professionals for policy-making in employment and strategic documents, evaluation of the results of their implementation, as well as operation and administration of the programmes supported by the European Social Fund;
- designing of a software solution that will enable, through a web portal, the private sector employers to electronically register establishment or termination of the employment relation with the employees;
- training of the employees in the MLSP and the EARM regarding the policy, network and the operational structure, as well as practical work of EURES (European Employment Service - portal enabling connecting of people looking for work and the employers from the EU), training for preparation of projects in the labour market and training for managing grant schemes;
- additional three training sessions, the first of which is on types of employment information in the labour market, the second training is on monitoring and evaluation of the active measures in the labour market and the departments of employments, and the third training is on the work and role of the European social fund.

Education

The inherited shortcomings in the area of formal and informal education creating and increasing the human capital constitute one of the key factors on the side of the labour force offer for the high rate of unemployment. However, within the last two years significant reforms were implemented regarding the improvement of the quality of education as well as its better connection with the labour market. In addition, some of the undertaken measures are as important as measures of decreasing of the social exclusion of vulnerable groups of the population. The reforms in education as well as its connection with the labour market needs will continue in line with the following activities:

- Scrutinising a Law on Establishment of a State Examination Centre. The State Examination Centre is a body competent to

cover the realisation and preparation of the state matriculation exam as well as administering an external evaluation in primary and secondary education. The primary activity of the State Examination Centre is to contribute to the efficiency and quality of education.

- Following the introduction of the mandatory secondary education the Elaborate and Concept for mandatory secondary education will also be prepared:
- Pursuant to the Law on Secondary Education, the corpus of students who have finished primary education and continue secondary education in 2009 will be 100%; thus increasingly improving the labour force quality.
- Preparation of Action Plan for Life-long Learning. An Adult Education Centre has been established as a body authorised for realisation of all activities regarding adult education, while the Government of the Republic of Macedonia established a Council for Adult Education with a decision, as an advisory body that proposes strategic issues regarding policy for adult education development. Literacy and obtaining first level of professional qualifications for individuals serving sentences in the penitentiary institutions in the Republic of Macedonia, through the Adult Education Centre.
- Within the current capital investments in the area of education, funds are provided from the Budget of the Republic of Macedonia for the purpose of reconstruction, renovation and construction of primary and secondary schools, construction of 145 sport halls, computerisation, equipping the primary and secondary schools, as well as for the purpose of reconstruction, construction and equipping of facilities within the higher education.

SUFFICIENT QUANTITY OF PHYSICAL CAPITAL

Investments in physical capital

The development policy of the Government of the Republic of Macedonia regarding medium-term investments in the public infrastructure of the country is based on dynamic investment activity expected to result in optimal use of the existing facilities, reconstruction and modernisation of the public infrastructure in function of providing cost effectiveness and greater efficiency, as well as timely completion of the commenced economically justified projects, having in mind the options of lower costs.

The Public Investment Programme of the Republic of Macedonia 2009-2011 determines the priority needs, taking into account the sectoral development policies and the priority infrastructural projects provided for in the Programme for Operation of the Government of the Republic of Macedonia for the period 2008-2012, the availability of the project documentation and the real capabilities providing funds for capital investments from: (1) the state Budget; (2) the funds; (3) own funds by the investors; (4) donations; (5) foreign loans in accordance with the medium-term strategy for public debt management. The participation of real investments in the GDP as well as the change rates of the GDP, living costs and the real investments are shown in the following chart:

	2001	2002	2003	2004	2005	2006	2007	2008	2009
Real GDP rate	-4,5	0,9	2,8	4,1	4,1	4,0	5,9	6,0	5,5
Living costs – average growth (change rate)	5,5	1,8	1,2	-0,4	0,5	3,2	2,3	8,0	3,5
Real rate of investments	-8,5	17,7	1,1	10,9	-5,4	8,4	12,6	39,1	11,1
Participation of investments in the GDP (%)	19,1	20,6	20,0	21,9	20,8	21,9	23,2	29,0	30,0

(The data for 2008 and 2009 are projections).

Source: Public Investments Programme of the Republic of Macedonia 2009-2011.

As of 2007, public investments growth has been realised (in 2006 the participation was approximately 3.8% of GDP), whereas in 2009 it is expected to raise the participation above 7% of GDP, which is within the frames of the average of the new Member States of the European Union.

The Public Investments Programme contains 90 ongoing investment projects. The total costs for these projects are estimated at EUR 2492.04 million. A part of these funds, amounting to EUR 533.29 million, was realised by end-2008. The realisation of a certain domain of investment activities, in the amount to EUR 478.22 million, is planned for the period after 2011. Therefore, the realisation of EUR 1480.52 million is envisaged within the period of 2009-2011, i.e. only EUR 530.78 million in 2009. 791.71 million or 53.5% from the total envisaged funds with the Programme for the period 2009-2011 will be focused on economic infrastructure development, whereas EUR 688.81 million or 46.5% of the total funds will be focused on non-economic infrastructure development.

53.5% of the total public investments are focused on the economic sector or as shown by sectors: Energy Sector 8.9%; Transport 32.66%, Water Economy 4.7%, Utility Services 4.4%, Environment 2.1% and Other Economy 0.8%.

Investments in the Energy Sector

Investments planned in the energy sector fall under the following three types:

1. Coal energy
2. Electricity
3. Renewable energy sources

Investments planned in the energy sector, above all, refer to:

- reconstruction of the existing electric energy sector infrastructure, and
- construction of a new electric energy sector infrastructure, new capacities,

with the purpose to enable greater safety in energy supply, connection with regional energetic networks, as well as a larger percentage of renewable energy sources in the energy consumption.

The Ministry of Economy has published an international public announcement for expression of interest for prequalification for the purpose of granting concession for the construction of Hydro Power Plant "Boškov most", the construction of which will follow the BOT model (build, operate, transfer). Qualified companies were invited to take tender documentation on 22 October 2008. The deadline for submission of tenders is 11 February 2009.

For construction of a combined gas thermal power plant, on 19 September 2008 JSC ELEM announced an international public call for financing, construction and utilisation of a combined gas power plant "Energetika" as partner in the joint venture with JSC ELEM. This electrical power plant is envisaged to have installed 200 MW power for electricity production and 100 MW for heat energy production. The expected annual production of electric power is to be 1450 GWh, while that of heat energy is expected to reach 350 GWh. The total investment value will amount to approximately EUR 300 million. The interested potential investors for this project must submit their tenders no later than 21 January 2009, after which tender evaluation will follow as well as selection of the best tenderer.

The Government of the Republic of Macedonia approved a state guarantee amounting to EUR 11 million for construction of the long-distance power line Stip (Republic of Macedonia) - Nis (Republic of Serbia), while EUR 3 million will be own funds of JSC METSO. For that purpose, JSC METSO submitted the requirements for the foreseen loan to all international financial institutions and bilateral creditors. The World Bank has been chosen as the best tenderer. The length of this overhead power line in the Macedonian part is 70 km.

On 27 October 2008, the Ministry of Economy issued an international announcement for interest for participation in pre-qualification for building, operating and transfer of 12 hydro power plants on the River Vardar according to a concession model. 12 hydro power plants have a total of 307.4 MW installed power, annual production of approximately 1331.3 GWh and investment value of approximately EUR 1.18 billion. The announcement for pre-qualification is open until 16 March 2009.

In order to further develop the gas pipe system in the Republic of Macedonia, on 3 September 2008, an announcement has been published for development of a Feasibility Study with a project for the gas pipe system in the Republic of Macedonia. The study will provide technical and economic analyses on: the current situation of the natural gas pipe system, the regional, cross-border and other development conditions, proposals and method for completion of the system in accordance with the conditions in South Eastern Europe and the wider region, and examination of the possibilities for utilisation of gas during the upcoming period of 20 to 30 years. The development of the Feasibility Study will define strategic terms and time phases for implementation of the gas pipe system, as well as appropriate priority directions for urgent implementation.

During 2009, a Study for a gasification in the Republic of Macedonia will be developed and a decision will be made on the directions for extension of the gas pipe system.

During 2010 and 2011 several projects in the electric energy sector and the gas sector are planned to commence, which will increase the safety of power supply in the Republic. The following projects have been planned: 400 kV interconnection Bitola (Republic of Macedonia) – Elbasan (Republic of Albania) – Italy and upgrading of the existing 200 kV interconnection Macedonia – Kosovo on 400 kV voltage level.

In 2010, it is envisaged to issue international public announcements for granting under concession of waters for production of electricity in small scale hydro power plants.

In order to transpose Directives 68/414/EEC and 98/93/EC in the legal regulations relating to oil and oil derivatives reserves, in July 2008, the Assembly of the Republic of Macedonia adopted the Law on Commodity Reserves (Official Gazette of the Republic of Macedonia No. 84/08) and the Law on Compulsory Oil and Oil Derivatives Reserves (Official Gazette of the Republic of Macedonia No. 84/08).

The application of these Laws starts mid-January 2009.

Pursuant to the Law on Compulsory Oil and Oil Derivatives Reserves (Official Gazette of the Republic of Macedonia No. 84/08), a new Agency for Compulsory Oil and Oil Derivatives Reserves is being established.

Air Traffic

The Government of the Republic of Macedonia started the procedure for granting concession for construction, reconstruction and utilisation of the two airports in the Republic of Macedonia ("Alexander the Great" – Skopje and "St. Paul the Apostle" – Ohrid), as well as for construction of a new cargo airport in Stip.

In a transparent procedure, the Turkish concessionaire TAV was selected, which, pursuant to the contract, will invest a total of EUR 270 million for construction and modernisation of the airports. According to the concessionaire, the capacity of the airports will increase from 11,000 flights in 2007 to 28,000 in 2030, while the number of passengers will increase from 671,000 in 2007 to 2,500,000 in 2030. The concession contract will enter into force on 31 August 2009, i.e. within 341 days from the day of concluding the contract.

Road Construction

In order to improve the road infrastructure in the Republic of Macedonia, activities were undertaken to complete the two sections of Corridor X which should be at a highway level, Tabanovce – Kumanovo and Demir Kapija – Smokvica. Regarding the construction of the Tabanovce – Kumanovo section with total length of 7.62 km, a Loan Agreement was signed with the World Bank in the amount to MKD 561,262,143, whereas MKD 158,304,706 were provided from the Budget of the Republic of Macedonia, and the construction commenced on 20 October 2008 and is expected to be finished within 18 months. The remaining part of the Corridor, i.e. the Demir Kapija – Smokvica section should be financed by IPA (Instruments for Pre-accession) funds on the basis of the IPA Operational Programme for Regional Development (2007-2009), a loan in total of EUR 55 million from the European Investment Bank (EIB), funds from the Hellenic Plan for the Economic Reconstruction of the Balkans (HiPERB) in total of EUR 50 million and EUR 31 million participation from the Budget of the Republic of Macedonia. The IPA application, prepared by the Ministry of Transport and Communications, the Ministry of Finance and the Fund for National and Regional Roads, was unofficially submitted to the European Commission – Directorate-General for Regional Development in April 2008. Following the initial comments, the IPA application was officially submitted on 6 October 2008. On 21 October 2008, the European Commission – Directorate-General for Regional Development confirmed that the application enclosed all necessary documents and passed the first administrative check. Afterwards, it will be analysed in detail by all Directorates-General of the European Commission and comments will be submitted to be acted upon. Then, the IPA application will be revised in accordance with the comments. With regard to the construction of the Skopje ring road, in accordance with the Information on the Project Implementation Status, developed by the Fund for National and Regional Roads, in the first phase of the construction of the Skopje ring road, the Hipodrom-Orizari section is under construction, whereas, in the first quarter of the second phase of the Orizari-Saraj section the construction has been completed within the set timeframe and this section was officially launched on 24 July 2008. The ring road will be completed by the end of this year. In addition to the Corridors, the Government of the Republic of Macedonia paid full attention to reconstruction and construction of the regional and local roads since they represent a big part of the transport infrastructure in the country. The Government secured funds in the amount to EUR 70 million for the period 2008-2012 for the project "Reconstruction and investment in maintenance of regional and local roads" with total length of 330 km and 420 km respectively. In July 2008, the Ministry of Transport and Communications announced a call for expression of interest for participation in a limited call for concessions of a series of roads for pay toll, and the procedure is still in process.

Railway

The Government of the Republic of Macedonia adopted the necessary Decisions for establishment of the two new companies: PE Macedonian Railways Infrastructure – Skopje and JSC Macedonian Railways Transport – Skopje, as well as the National Programme on Railway Infrastructure for the period 2008-2012 and the Programme for Railways Infrastructure Investments 2007 in total of MKD 150.000.000. In the second half of 2008, the studies financed by the World Bank loan were completed, as follows: Study for accessing the network of the Macedonian Railways, Study for public passenger transport services, and the Study for reducing the costs and increasing the productivity is in progress. The Study for privatisation of the transport company is still to be developed, and at the moment there is an ongoing procedure for selection of a consultant. The Government of the Republic of Macedonia adopted the following in 2008:

- Annual programme for investments in the railway infrastructure for 2008 in total of MKD 340,000,000,
- Decision for approving the Decision for determining the fee for usage of the railway infrastructure, which is being applied as of 10 January 2009, according to which the fee to be paid by the railway user to the infrastructure manager is calculated in

accordance with the CF method - i.e. fee for access on the basis of a level that allows coverage of the difference between subventions secured by the state and the expenses of the infrastructure manager, according to which the infrastructure manager created a package of services as follows: minimum services package, additional services package, assistance services, as well as access to service objects and provision of other services, published within the Network Notice available on the web site of the infrastructure manager.

- Decision for determining the network of the main railroads and other railroads, their classification as well as the signage.

In the upcoming period, a draft National Programme on Railway Infrastructure for the period 2009-2013 should be submitted to the Government of the Republic of Macedonia. On the basis of the National Programme, a total of EUR 15 million were envisaged in the 2009 Budget, EUR 13 million of which will be earmarked for the railway infrastructure on the basis of the Annual plan for railway infrastructure investments, mainly for the Corridor VIII, Corridor X, and the remaining EUR 2 million will be earmarked for compensating public interest services in passengers' traffic. With regard to resolving the debts of the two newly established companies, in accordance with the Capital Division Plan, the means, rights, liabilities and employees of the PE "Macedonian Railways" - Skopje, the total debt of the former PE "Macedonian Railways" amounted to approximately EUR 167 million. The debt of the PE Macedonian Railways Infrastructure amounts to EUR 55 million, whereas the debt of the Macedonian Railways Transport JSC amounts to EUR 111 million. Adoption of an act, proposed by the Ministry of Finance to the Government of the Republic of Macedonia, is in progress, which should convert part of the debts so far covered by the state as state shares in JSC Macedonian Railways Transport – Skopje and PE Macedonian Railways Infrastructure – Skopje.

SMEs AND PARTICIPATION OF SMALL ENTERPRISES

The small and medium-sized enterprises are a dominant type of enterprises in the Macedonian economy. In 2007, 99.8% of all enterprises are small or medium-sized enterprises, annual average increase of more than 2,300 SMEs. Regarding the number of SMEs on 1,000 inhabitants, it increased from 19 to 25. As a result, employment increased by 51% from 110,000 (in 2002) to 214,471 employees (in 2007).

Participation of SMEs in the national economy per number of employees, enterprises and gross value added

- Structure in % -

	Number of employees			Number of active enterprises			Gross value added		
	2005	2006	2007	2005	2006	2007	2004	2005	2006
Small-sized	54.4	58.8	64.2	98.8	98.9	99.0	51.6	52.3	53.3
Medium-sized	21.3	18.9	12.0	1.0	0.9	0.8	20.3	11.5	12.0
Total SMEs	75.7	79.6	77.8	99.8	99.8	99.8	72.9	63.8	65.3
Large-sized	24.3	20.4	22.2	0.2	0.2	0.2	28.1	36.2	34.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Register

The achieved progress is a result of the activities envisaged in the National Strategy for Development of Small and Medium-Sized Enterprises in the Republic of Macedonia 2002-2013, as well as the Programme for Development of Entrepreneurship, Competitiveness and Innovation of the Small and Medium-Sized Enterprises 2007-2010.

In 2009-2011 the programmes envisage activities directed towards the following 3 goals:

1. Strengthening of the institutional infrastructure with: financing the activities of the APE (Agency for Promotion of Entrepreneurship) strengthening the capacity of the business centres, the SMEs Observatory, redesigning the performance of the SMEs Forum, the Info Desk – project in cooperation with the regional centres for business support, co-financing of the European Information and Innovation Centre in Macedonia (EIICM) -, co-financing of the Fund for Human Resources Development.
2. Improvement of the business environment and access to SMEs funding will be realised through inter-ministerial cooperation for implementation of the Programme and the European Charter, change of the credit guarantee scheme (Guarantee Fund); establishment of Credit Info Bureau; training in alternative ways of financing, co-financing of other donor projects.
3. Improvement of SMEs competitiveness and innovations will be realised through: co-financing of clusters, co-financing of new business incubators, co-financing of the costs of the regional centres for projects with non-financial support to SMEs, voucher counselling system, entrepreneurial awards, entrepreneurship education, EU Day of Entrepreneurs, raising awareness for ICT, introduction of quality standards, research and innovative connection, international research cooperation and raising awareness in rights to intellectual property, establishment of a body for SMEs training needs analysis, implementation of the System for accreditation of SMEs consultants and trainers.

As a result of the realisation of these activities, an increase of the number of small and medium-sized enterprises by approximately 4 - 5% is expected, as well as an average annual increase of the number of work posts by 4 - 5% in the planned period between 2009 and 2011.

THE LEVEL OF GOVERNMENT POLICY AND LEGISLATION INFLUENCE ON THE COMPETITIVENESS THROUGH TRADE POLICY, COMPETITION POLICY, STATE AID, FDI, SUPPORT TO SMALL AND MEDIUM-SIZED ENTERPRISES, ETC.

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

The enforcement of the Stabilisation and Association Agreement with the EU, the membership in the World Trade Organisation, the EFTA Agreement, the Central European Free Trade Agreement – CEFTA 2006 and the free trade agreements with the Republic of Turkey and Ukraine are elements of development and enhancement of the trade policy aimed at strengthening the competitiveness in the upcoming period.

The Competition Protection Policy is aimed at ensuring higher level of free competition on the domestic market. The Commission for Protection of Competition is a competent in pronouncing misdemeanour sanctions to the persons violating the provisions in the Law on Competition Protection. The guidelines for enforcement of the Law and decrees are announced and then distributed to the legal and business community, as well as to the wider public.

The Commission for Protection of Competition (CPC) has published the necessary manuals for enforcement of the competition law. The CPC has started preparing reports on the enforcement, especially in the area of concentrations and misuse of dominant position. In the period between 1 October 2007 and 30 September 2008, the CPC adopted 26 administrative decisions, 25 of which refer to merging, 1 to misuse of dominant position. It pronounced 18 fines for violations, 4 of which are related to administrative decisions adopted in 2008. The Administrative Court confirmed one of the decisions of the CPC for misuse of dominant position.

The inter-institutional cooperation between the Commission for Protection of Competition and the bodies competent in regulating certain sectors has been strengthened. The Commission has signed a Memorandum for Cooperation with the Agency for Electronic Communication, the Energy Regulatory Commission, the Broadcasting Council and the Public Procurement Bureau.

In 2009, the Government of the Republic of Macedonia implemented the "Top Management" project. The project will be realised in a period of 2 years, thereby selecting approximately 200 Macedonian managers, who will be trained in management skills and receive practical training in successful world companies in the developed countries. During this period, they will have the opportunity to acquire expertise in line with the contemporary management standards and principles imposed by the modern market. The goal of the project is to increase the productivity of the Macedonian labour force, as well as the competitiveness of the Macedonian economy.

Promotion of Foreign Direct Investments

On the basis of the data from the National Bank of the Republic of Macedonia, in the period 1997-2007, there was a cumulative inflow of Foreign Direct Investments (FDI) in the amount to EUR 2.543 billion. This year, inclusive with September, the cumulative amount of foreign capital amounted to EUR 409 million, which exceeds the projected amount of FDI inflow for this year, despite the global economic crisis. The greatest share of FDI with 8.8 % of GDP was in 2007, while in 2008 it was 6.2%. The FDI inflow per capita was greatest in 2007 and it amounted to EUR 247.5, while in 2008 (inclusive with September) it amounted to EUR 199.7.

FDI inflow in the Republic of Macedonia and their structural share of GDP

EUR million

Year	2001	2002	2003	2004	2005	2006	2007	2008/ 1-9
Total amount	233.3	499.5	100.4	260.7	77.2	344.8	506.0	409.0
FDI share of GDP	6.0	13.0	2.4	6.0	1.7	6.8	8.8	6.2
FDI per capita	115.2	245.4	49.5	128.3	37.9	169.0	247.5	199.7

Based on the analysis by sectors, the greatest FDI inflow is in the energy system and it is expected to keep its precedence of 35%, the industry accounts for 18%, the telecommunications sector accounts for 15%, the banking sector accounts for 11%, after which follow the real estate, trade, mining, catering, agriculture, etc. The FDI inflow has a positive influence in all sectors.

In the Republic of Macedonia, the investment strategic sectors are the following: energy sector, industry for manufacture of automobile components, information and communication technology, agriculture and food processing, pharmaceutical industry, textile, construction, and all types of tourism. Special favourable conditions are given in the Technological Industrial Development Zones (TIDZ) in accordance with the Law on TIDZ. The new Law on TIDZ will provide greater favourable conditions for the investors and development of highly propulsive and latest technologies as well as new employments.

In addition, the Agency for Foreign Investments sends economic promoters in the countries which are considered to be potential investors in the Republic of Macedonia. These promoters supported by the current structure of the Minister for Foreign Investments, the Agency as well as the Ministry of Economy are expected to have results in their efforts for attracting foreign investments. By all means, the Directorate for Development of Technological Industrial Development Zones functions in the same direction.

Competition policy, competitiveness and support to small- and medium-enterprises

The Strategy for Industrial Policy will be adopted by the Government at the beginning of 2009 and it will cover specific measures and instruments for enhancement of the competitiveness of the economy aiming at achieving the priorities.

The document refers to the period 2009 to 2020. The "Industrial Policy of the Republic of Macedonia 2009-2020", as an integrative proactive policy clearly defines the priorities, objective, measures and instruments for creating a competitive economy.

The document defines several areas of interventions through programmes and measures by different ministries:

- Enhancing the applicable research, development and innovations with increase in investments in research and development, with development of mutual inter-sectoral cooperation among the industry, the institutions and the Government;
- Enhancing the international cooperation of the key stakeholders in the process of economic development (enterprises, universities and development institutions) aiming at creating new businesses, studying and acquiring of new knowledge, strengthening the international relations, exchange of knowledge and experience, learning from the best practices for improvement of the management capacities and increasing the productivity (international management training);
- Promotion of sustainable development through the use of the natural possibility for production of renewable and alternative energy and the natural ecological possibilities existing in the country, in the direction of production of products and services with high value added (turning ecological conditions into possibilities for favourable economic development);
- Enhancing the competitiveness of the Macedonian industry by stimulating the cooperation through regional and international networking of clusters and other mini-associations of small enterprises (the use of benefits such as: share of expenses, more efficient market research, more efficient inflow of labour, capital, technology, innovations and information);
- Promotion of the development of the SMEs and the entrepreneurship through strengthening the institutional infrastructure by financing the activities of the Agency for Promotion of Entrepreneurship (APE), strengthening the capacity of the business centres, SME Observatory, redesigning of the work of the SME Forum, the Info Desk – project in cooperation with the regional centres for business support, IRC co-financing, co-financing the Human Resources Development Fund. For implementation of these activities, a Programme for Development of Entrepreneurship, Competitiveness and Innovation of Small and Medium-Sized Enterprises has been developed in 2009, which will cover these activities. Funds in the amount to MKD 30 million are envisaged for its implementation.

The document integrates the principles of the industrial policy of the EU. The policy has mainly a horizontal approach, with a separate sectoral approach through strategies and programmes for restructuring of the key sectors where necessary. All measures and instruments will be harmonised with state aid.

The medium-term objectives in regard to support to the development of the SME sector, which should contribute to more effective work of the enterprises and creation of competitiveness are defined and revised in the National Strategy for Development of Small and Medium-sized Enterprises in the Republic of Macedonia 2002-2013, as well as in the Programme for Development of Entrepreneurship, Competitiveness, Innovation of Small and Medium-Sized Enterprises 2007-2010. As a result of the implementation of these activities, an increase of the number of small and medium-sized enterprises by approximately 4 - 5% is expected, as well as average annual increase of the number of work posts by 4% in the planned period between 2009 and 2010.

One of the proposed projects aiming at improvement of the competitiveness and the export is acceptance of the idea and the support to the companies for active functioning in clusters, realising the benefits of joining and making networks of clusters. The activities related with the initiation and support to clusters are intensified and coordinated by the Ministry of Economy, by establishing a new association of clusters for enhancing the competitiveness of some sectors. The establishment of more clusters has been initiated so far. Based on the analysis of the clustering process in the Republic of Macedonia, the preparation of a four-year programme for support to the clustering associations is in progress.

Besides the project for clusters, within the framework of the vertical aspect of the industrial policy, several strategies for

development of certain sectors (such as textile, steel, tourism) have been developed.

THE LEVEL AND DYNAMICS OF TRADE INTEGRATION OF THE COUNTRY WITH THE EU

The EU-27 has the highest share in the total foreign trade of the Republic of Macedonia for the period January-November 2008 accounting for 51.9%. The indicators for trade cooperation between the Republic of Macedonia and the EU in the period January-November 2008 show increased foreign trade, which in the greatest part is a result of increased import. Namely, in the analysed period, the total foreign trade with the EU increased by 12.2%, with an increase of the export by 1.7% and a more intensive increase of import by 21.4%. At the same time, the trade deficit on annual basis increased 2.5 times, and the coverage of import decreased by 14.1 percentage points, in other words for less than a year (11 months) it was 72.8%. The unfavourable movements of metal prices, especially the nickel, in conditions of slowed-down dynamics of growth in the EU countries as a result of the global crisis, and high concentration of the Macedonian export, have caused significant slow-down of the export in EU-27, which reflects the sensitivity of the Macedonian export to external changes.

The Republic of Macedonia, as a country with a small internal market potential, from its independence, has decided to implement active foreign trade policy aiming at intensifying the trade cooperation with the countries of the region and wider, through liberalisation and facilitation of the conditions for uninterrupted export and import of goods.

By accepting the trade liberalisation and the conclusion of free trade agreements with the signatory countries of CEFTA 2006, the market of the Republic of Macedonia with approximately 2 million consumers has extended the market into a multi million consumer market.

The determination of the Republic of Macedonia to liberalise the trade with the countries of the region and the free trade agreements have provided access to goods with privileged treatment in the big market, and the competitiveness in the market has increased which forced the Macedonian businessmen to strive and become competitive, both on the domestic and the foreign market.

III ABILITY TO ASSUME THE OBLIGATIONS OF EU MEMBERSHIP

3.1 FREE MOVEMENT OF GOODS

3.1.1 GENERAL PRINCIPLES

CURRENT SITUATION

In the area of Free Movement of Goods, a number of substantial laws were adopted, thus contributing towards the elimination of the barriers in accordance with Articles 28 - 30 of the EC Treaty.

Within the frameworks of the Regulatory Guillotine Project for 2008, the Law Amending the Law on Trade ("Official Gazette of the Republic of Macedonia" No 88/08) is adopted, whereby the Article 34(1) regulating the elimination of the importer's obligation to obtain a certificate for inspection performed on certain technical goods and recording of the accompanying technical documentation was deleted, a certificate heretofore issued by the Institute for Standardisation of the Republic of Macedonia.

The Law on Technical Inspection ("Official Gazette of the Republic of Macedonia" No 88/2008) is adopted, authorising new competences to the State Technical Inspectorate with regard to monitoring the procedure of performing technical inspection and periodical checks of technical products by authorised bodies for conformity assessment (lifts, ATEX, equipment under pressure, cable installations etc.) after their putting into operation.

For the first time in the Republic of Macedonia the entire area on vehicles is regulated by a separate law. Law on Vehicles ("Official Gazette of the Republic of Macedonia" No 140/2008) transposing three Directives - 32007L0046, 31996L0096 and 31999L0037 - is adopted.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

It is envisaged to develop Action Plan for conformity with Articles 28-30 of the EC Treaty as well as drafting a list of conflicting regulations, by June 2009, with a determinant for an internal screening of the national legislation and administrative practices aiming at introduction of the clauses on mutual recognition and on the necessary subsequent amendments in relation to conformity with these Articles of the EC Treaty.

By September 2009, a Strategy for Implementation of the Acquis on certain horizontal organisations (standardisation, accreditation, metrology, and market surveillance) will be adopted along with the determined time limits and the responsibilities regarding the introduction of efficient implementing measures, as well as strengthening the administrative capacity in different sectors.

In 2009, the negotiations related to the accession of the Republic of Macedonia in the Agreement for Conformity Assessment and Acceptance of Industrial Products (ACAA) will be intensified, in seven industrial sectors: (pressure equipment, transportable pressure equipment, low voltage equipment, electromagnetic compatibility, simple pressure vessels, machines, part of construction products) that are subject of negotiations since they were initiated in May 2008.

INSTITUTIONAL FRAMEWORK

The capacities of the Ministry of Economy, as well as the capacities of other competent institutions: the Ministry of Health, the Ministry of Transport and Communications, the Ministry of Agriculture, Forestry and Water Economy, the Institute of Accreditation, the Institute of Standardisation, the Metrology Bureau, the Ministry of Finance Customs Administration as well as other institutions which will be involved in the conformity with the Articles 28 -30 of the EC Treaty, will be strengthened.

Strengthening the capacity of the State Market Inspectorate, by employment of five (5) inspectors, with technical profile for conducting surveillance in process of placing a safe product on the internal market in the Republic of Macedonia.

MEDIUM-TERM PRIORITIES

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

The Strategy for implementation of the Acquis regarding the appropriate horizontal organisations (standardisation, accreditation, metrology, and market surveillance) shall be implemented along with the determined time limits and the responsibilities regarding the introduction of effective implementing measures, as well as strengthening the administrative capacity in different areas.

The Law on Technical Inspection will be implemented, which will clearly define the competencies of legal entities, accredited by the Institute of Accreditation of the Republic of Macedonia and authorised by the Minister of Economy, for performing technical inspection and periodical inspection of technical products that are to be put into use.

The State Market Inspectorate authorised to cooperate with other competent inspection authorities for putting safe product on the internal market in the Republic of Macedonia shall apply the RAPEX system.

3.1.2 HORIZONTAL MEASURES

CURRENT SITUATION

The legal framework for the areas of accreditation, standardisation, metrology, market surveillance and conformity assessment in the Republic of Macedonia is encompassed.

STANDARDISATION

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

ISRM is a full member of ISO (International Organisation for Standardisation), and associate member of IEC (International Electrotechnical Commission), CEN (European Committee for Standardisation) and CENELEC (European Committee for Electrotechnical Standardisation). ISRM and ETSI signed a Memorandum of Understanding in the area of telecommunications in December 2006.

The number of employees in ISRM in the course of 2008 was increased by 4 new persons, whereby the total number of the employees in ISRM is 17.

By December 2008, ISRM adopted 5551 European and international standards as well as other standardisation documents, as well as Macedonian, 3225 of which are related to the EU Directives. In the period from January 2006 to 31 December 2008, 61 translated standards and standardisation documents were adopted i.e. available in Macedonian language. The number of withdrawn both conflicting and inapplicable national standards is 84. Thirty two (32) technical "mirror" committees (ISRM TC) of CEN and CENELEC technical committees have been established within ISRM. Out of them, four technical committees are monitoring the work of the "mirror" committees in the European and international standardisation bodies.

ISRM has been continuously issuing the Monthly Bulletins where the public hearings and the adoption of the standards are announced, as well as updating the website with current information of the area of Macedonian standardisation. In 2008, ISRM organised presentation of ISRM TC 24 covering the area of concrete and concrete products - harmonisation of the national with the European standardisation.

ACCREDITATION

IARM is a full member of EA - European organisation in the area of accreditation and since December 2008 acquired the status of associate member of ILAC - International laboratory accreditation. IARM cooperates with the national bodies for accreditation of other states, primarily from the region, and has bilateral contracts signed with the national bodies of Serbia, Montenegro, Albania, Croatia and Bulgaria. The accreditation rules in the Republic of Macedonia are completely harmonised with the European and international standards (EN 45000 series and ISO 17000 series), with the EA, IAF and ILAC regulations and guidelines, and with the European good practice in this area. IARM is preparing to submit application to EA for signing agreement on mutual recognition of the results (MLA).

In 2008, the staffing capacity of IARM is strengthened: 5 new persons are employed and the total number of IARM staff is 13; training for evaluators of the new employees as well as of other professionals has been delivered and the number of evaluators has been increased; various sectoral committees covering different areas have been established.

The list of evaluators and experts includes 44 experts for different areas and 51 evaluators out of which 12 are leading evaluators.

By December 2008 inclusive, IARM has accredited 27 bodies for conformity assessment. The accreditation has been withdrawn to 5 of them.

In 2008 IARM has organised a Conference on Accreditation. The Conference was of international character and representatives from different European countries participated.

IARM has published 5 brochures for promotion of accreditation as well as for making public its operation.

Amendments have been made to the Law on Accreditation in accordance with the suggestions by the experts of the ACA.

METROLOGY

The Bureau of Metrology cooperates with specialised international and regional organisations (OIML, CGPM, EUROMET, and WELMEC) in which the Bureau is representing the Republic of Macedonia. The Metrology Council has a role of an expert advisory body within the Metrology Bureau.

Eleven (11) bylaws have been adopted in the area of metrology. The Bureau of Metrology is the responsible body for the implementation of the Law on Control of Goods from Precious Metals (Official Gazette of the Republic of Macedonia No 23/95 and 22/07), and in this area 9 bylaws have been adopted for the implementation of this Law. Mutual Recognition Arrangement (MRA) was signed - the International arrangement for recognition of the calibration certificates issued by the national metrological institutes (NMIs), signatories of MRA. From May 2008 the Bureau of Metrology acquired the status of associate member of WELMEC. There are nine laboratories for calibration of measuring instruments within the Bureau of Metrology (laboratory for mass, pressure, length and angle, volume and flow, density, frequency and time, temperature, electrical variables and reference materials), 4 of which are operational. For the stated, 14 technical science engineers, working in laboratory centre of the Bureau, are employed in the Metrology Bureau. By December 31 2008 inclusive, a total of 223 calibrations have been conducted: laboratory for mass 105, for volume and flow 20, for temperature 40, for pressure 14, for length 7, for electrical variables 26 and for density 11.

SHORT-TERM PRIORITIES

Strategy for Implementation of the Acquis relating to the appropriate horizontal organisations (standardisation, accreditation, metrology, and market surveillance) will be adopted in the course of 2009.

The following activities are planned in the area of standardisation:

- Securing funds for paying the membership fees in the European and international standardisation bodies
- Development and implementation of a Programme for adoption of Macedonian standards for 2009 (adoption of international and European standards and other standardisation documents with the method of endorsement, reprint and translation, withdrawal of conflicting and inapplicable national standards);
- Strengthening of the staffing capacity by new employees according to the Rulebook on internal organisation and systematisation of the ISRM.
- Accelerating the process of translation of the European standards into Macedonian language.
- The total number of technical committees is foreseen to be 36 by the end of 2009.
- Training delivered on the following topics:
 - rules and practice of the European and international standardisation
 - procedures for preparation and adoption of the European and international standards in the European and international technical working bodies
 - notification procedures for all standardisation projects that are planned at national level and standstill procedures
 - using software for managing documents and databases.
- Establishing an IT system by procuring a documents and databases management system
- Maintaining the existing IT equipment and procuring new equipment, as well as licensed operational systems and programs;
- Promotional campaigns and organising thematic workshops and publishing and distributing thematic publications, posters and leaflets with a view to involve actively the business community and the remaining stakeholders in the process of standardisation;
- Publishing of ISRM newsletter and Bulletin of adopted Macedonian standards and distribution thereof;
- Establishing a legal and internal framework for protection of the copyright of the MKS publications according to the CEN and CENELEC internal rules on the intellectual property rights.

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

- accreditation of conformity assessment bodies (laboratories, certification bodies, inspection bodies);
- submission of an application for MLA;
- New Law on Accreditation in accordance with the European Regulation 32008R0765;
- Delivering of training events to:
 - evaluators,
 - potential clients
 - new accreditation schemes
- Strengthening the cooperation with the ministries with regard to authorisation/notification of the bodies for conformity assessment, i.e. clear differentiation of their tasks regarding the procedures for conformity assessment
- Strengthening the IARM technical infrastructure by way of establishing technical/ sectoral committees

- Procuring/developing data management software
- Signing cooperation agreements with the accreditation bodies from the region
- Procuring/developing Data Management Software through the BERIS project
- Strengthening the cooperation with the accreditation bodies from the region
- Promotional campaigns, organising thematic workshops and publishing and distributing thematic publications.

The following activities are planned in the area of metrology:

- Amendments to the Metrology Law;
- Adopting a number of Rulebooks in which the Directives 32004L0022, 31971L0317, 31986L0217, 31971L0347, 31976L00765, 31976L00766 and 31982L0624 shall be transposed.
- Seven new employments, four of which in 2009 and three in 2010.
- Procuring equipment specified by the BERIS project consultants
- Implementation of a quality system in conformity with ISO 17025 and with the support by the BERIS project and IPA
- Preparing for accreditation of laboratories
- Accreditation of the laboratories of the MB
- Making use of the support provided by UME – the National Institute of Turkey for calibration of the etalons and training to the laboratory personnel of the Bureau.
- Within the framework of the project for facilitation of the development of the National Metrological Institutes for small member states of EUROMET coordinated by PTB – the German Institute of Metrology, there are plans for participation of the Bureau in regional intercomparisons of the etalons of the laboratories for resistance, voltage, length, temperature and sound.
- Implementation of the development programme - IPA for technical and financial assistance and support for implementation of the harmonised legislation in the area of Free Movement of Goods as well as quality infrastructure
- Proclaiming national etalons of the units of measurement for mass and volume
- Organising seminars and workshops in order to strengthen the metrology infrastructure.
- Obtaining membership in IAAO (International Association of Assessing Officers for analysis and certification of goods from precious metals) as well as signing the Hallmarking Convention (for goods from precious metals).

MEDIUM-TERM PRIORITIES

The following activities are planned in the area of standardisation:

- Implementing the National Strategy for introduction and efficient implementation of the legislative measures, and strengthening the administrative capacities of the institutions, constituting the infrastructure for quality (standardisation, accreditation, metrology, conformity assessment, market surveillance)
- Establishing an efficient system for standardisation in the Republic of Macedonia that will enable monitoring and inclusion into the standardisation system on European and international level;
- Implementation of the European internal rules and procedures for the work of ISRM,
- Strengthening the technical infrastructure – technical committees and working groups of ISRM;
- Adopting minimum 80% of the European standards and withdrawing the conflicting national standards;
- Providing suitable IT and telecommunication equipment, its installation and putting into full service.
- Establishing notification procedures for all standardisation projects that are planned on national level and standstill procedures.
- Implementing of quality system in ISRM.

The following activities are planned in the area of accreditation:

- efficient application of the established accreditation system,
- Shortening the period for submission of the application pending the accreditation which will result in increased number of accredited conformity assessment bodies (laboratories, certification bodies, inspection bodies);
- strengthening the staffing capacities which will enable the assessment implementation foreseen in the areas requiring performance of accreditation.
- Providing suitable IT and telecommunication equipment, its installation and putting into full service.
- Implementing the national strategy for introduction and efficient implementation of the legislative measures, and strengthening of the institutional administrative capacities, constituting the quality infrastructure;
- strengthening the technical infrastructure (technical/sectoral committees) that will satisfy the specific accreditation demands within various sectors;
- Signing agreement for mutual recognition (Multi Lateral Agreement - MLA) with EA.

The following activities are planned in the area of metrology:

- Making use of the support provided by UME – the National Institute of Turkey for calibration of the etalons and training of the laboratory personnel of the Bureau.

- Active participation in the work of the EUROMET technical committees in which the Bureau has appointed contact persons for mass and related variables, for volume and flow, for temperature, for electrical variables and for length;
- Adopting the remaining national rulebooks on categories of measures in the course of 2010.
- Active participation in the work of the WELMEC technical committees
- Development of the quality system ISO 17025 in the laboratories of the Metrology Bureau
- Implementation of the international ISO 17020 standard within the verification sector.
- Proclaiming national etalons of the units of measurement (pressure, temperature, density, length, volume, low voltage, resistance);
- Making use of the domestic resources, primarily those of the scientific institutions for education intended for a specific purpose and establishing of national etalons in areas where the Bureau of Metrology has no possibilities for this;
- Participation in projects through EUROMET technical committees
- Recording of the calibration and measuring capabilities of the laboratories of the Bureau of Metrology within the BIPM base.

FOREIGN SUPPORT

The Business Environment Reform and Institutional Strengthening Project – BERIS shall support the process of establishment of an efficient system for quality infrastructure.

A Memorandum of Understanding with GTZ (2007-2009) in the area of harmonisation of the European technical legislation with the national legislation was concluded. There are ongoing preparations of a new Rulebook on electromagnetic compatibility, Rulebook on low voltage equipment, as well as Rulebook on machines in accordance with the new European Directives adopted in 2006 and 2007. At the same time, with the GTZ technical support the harmonisation in the area of vehicles is in process, whereby 180 Directives shall be transposed into laws and bylaws.

The Project IPA for Component 1 on quality infrastructure, as well as strengthening the capacities in the area of standardisation, metrology and accreditation is planned.

Within the framework of the Project for Market Surveillance, the following strategic documents have been prepared: 1. Action Plan for implementation of the proposed organisation and operation of the State Market Inspectorate; 2. Internal and international communication mechanisms as well as cooperation between the State Market Inspectorate and the stakeholders, and 3. Methodological guidebook for communication on hazardous products related to the RAPEX system.

CONFORMITY ASSESSMENT (INSPECTION, CERTIFICATION, CONTROL)

CURRENT SITUATION

Conformity assessment is regulated by the Law on Product Safety ("Official Gazette of the Republic of Macedonia" No 33/ 2006), whereas the Minister responsible for adoption of technical regulations authorises the interested bodies to perform conformity assessment. The executed accreditation is considered to be an assumption for fulfilled conditions for authorising the bodies. By the end of 2008, the application of the inherited system of authorised bodies for conformity assessment of the technical regulations in the Republic of Macedonia was completed. In its document entitled "National policy in the area of accreditation" the Government of the Republic of Macedonia has accepted the accreditation of the conformity assessment bodies as a tool in the procedure for authorisation – notification of the conformity assessment bodies in the regulated area.

The manner and the procedures for accreditation of legal entities interested in conformity assessment in a regulated area are stipulated in the Law on Product Safety and the bylaws in which the New Approach Directives are transposed, the Law on Technical Inspection, as well as the Law on Vehicles. The accreditation is a requirement for obtaining an authorisation by the competent minister. The authorisation is in conformity with the Decree on the procedure for adoption of the decision on the procedure for authorisation of the legal entity for performing conformity assessment, the manner of notification for obtaining the status of conformity assessment body, the manner of notification for the cancellation of the Decision for authorisation and the form and content of the register of the conformity assessment bodies ("Official Gazette of Republic of Macedonia" No.157/2007).

The legal framework for appointment and notification of the conformity assessment bodies has been finalised. A Decree on the manner and procedure for authorisation of the conformity assessment bodies as well as the manner and procedure for appointing the conformity assessment bodies ("Official Gazette of Republic of Macedonia" No 157/2007) has been adopted within the framework of the Law on Product Safety.

SHORT-TERM PRIORITIES

Intensive training for the conformity assessment bodies and dissemination of information will be delivered. Within the framework of the Accreditation Institute of the Republic of Macedonia, there is an ongoing procedure for establishment of a Training Centre to conduct training for the interested legal entities.

Accreditation of laboratories, certification bodies and inspection bodies will be preformed, in accordance with the Law on Accreditation and the competent international and European standards that have already started the procedure for obtaining accreditation (more than 20 applications for accreditation).

SHORT-TERM PRIORITIES

The number of Macedonian conformity assessment bodies in the market of the Republic of Macedonia during a performance of a conformity assessment for Macedonian products will increase.

MARKET SURVEILLANCE

CURRENT SITUATION

Market surveillance in the Republic of Macedonia is carried out in order to monitor the situation whether the goods placed on the market are in compliance with the special legal regulations. Namely, market surveillance (inspection surveillance) provides for inspection whether the products fulfil the requirements of the respective regulations (by transposition of the directives or by means of the old national regulations in cases where there is lack of harmonisation), which is then followed by activities for bringing the products in compliance and at the end pronouncing sanctions if necessary. According to the latest amendments to the Law on Trade related to the initiation of the customs clearance procedure duties, the Customs Administration of the Republic of Macedonia conducts the procedure, and the State Market Inspectorate inspects the goods (non-foodstuffs) when they are released on the market of the Republic of Macedonia regarding the declaration and the instructions for use. Exchange of information between the different competent authorities is permanent and with regular mutual contacts.

SHORT-TERM PRIORITIES

In order to enable smooth implementation of the market surveillance, a Law on Market Surveillance shall be adopted which will establish a legal framework and clear competences between the inspection bodies responsible for surveillance of the product safety market and the Customs Administration of the Republic of Macedonia.

This Law shall be fully harmonised with the Regulation 32008R0765 and the CE marking shall be stipulated accordingly.

The State Market will employ 5 new inspectors with technical profile in the Product Safety Unit.

After the adoption of the new Law on Technical Inspection, six new bylaws on pressure equipment, mobile pressure equipment, lifts, cable railway devices, ATEX, as well as machines for performing technical inspection and periodical inspection when releasing in the market will be adopted.

The RAPEX system will be applied in the course of 2009.

Legal entities will be authorised for performing conformity assessment for a determined range after the conclusion of the transition period.

The procedure for notification of the bodies will begin by the conclusion of the ACA.

The inspection bodies for market surveillance in the Republic of Macedonia will carry out their competencies with regard to market surveillance in the Republic of Macedonia in accordance with the competencies and the activities deriving from the Law on Market Surveillance. New employments are envisaged (in conformity with the new systematisation act of the Ministry of Economy) in the Sector for Internal Market. The Ministry of Economy plans to further strengthen the State Technical Inspectorate and the State Market Inspectorate, which will be responsible for:

- monitoring of the existing condition in the area of standardisation, accreditation, metrology and market surveillance,
- drafting of legal regulations,
- authorising bodies for performing conformity assessment,
- reporting to the EC, and
- market surveillance according to the new and old approach technical regulations.

MEDIUM-TERM PRIORITIES

On medium-term, fully effective and efficient market surveillance will be established, training for implementation of the regulations harmonised with the European legislation, upgrading of the information equipment and improvement of the communication.

3.1.3 OLD APPROACH PRODUCTS LEGISLATION CHEMICAL PRODUCTS - Chemicals

CURRENT SITUATION

This area is regulated by the Law on Chemicals (Official Gazette of the Republic of Macedonia No 113/07). The Law on Chemicals regulates the conditions and manner of placing the chemicals into circulation; conditions for manufacturing chemicals; rights and responsibilities of the legal entities that manufacture and trade in chemicals or use them, testing, evaluation, classification, labelling and packaging of chemicals, supervision for human health and the environment protection.

The State Sanitary and Health Inspectorate supervises the enforcement of this Law and of the regulations adopted on the basis of the Law by means of the inspectors for chemicals.

Two bylaws deriving from the Law on Chemicals (for more information, see Chapter 27 Environment) have been adopted.

Sector for Chemicals established within the Bureau of Medicines is responsible for the application of the provisions for issuing approval for putting poisons in circulation, classification in groups of toxicity, import/ export and transport of poisons and chemicals, electronic surveillance of the data software in relation with the issued approval, their classification in the relevant group, as well as trading in poisons and chemicals. The Sector is responsible for supervision of manufacturing and trade in chemicals as well as for proposing measures for surpassing certain problems.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

Within the framework of the Regional Project for chemical risk management implemented in cooperation with the Swedish Chemicals Agency, an expert assistance for further harmonisation of the legislation in the area of chemicals is provided.

In this period, activities will focus on the drafting of bylaws deriving from the Law on Chemicals. Seven Rulebooks related to the Directive 31998L0008 concerning the placing of biocidal products on the market will be adopted.

INSTITUTIONAL FRAMEWORK

The intersectoral body for chemicals, established by the Government of the Republic of Macedonia, is responsible for the intersectoral cooperation aimed at implementation of this Law. The task of the intersectoral body is to ensure monitoring of the implementation of the law, to suggest amendments to the Law based on the European and global recommendations on chemical management, to provide recommendations and directions on the requirements for capacity strengthening at central and local level and for the industry sector in line with the European and international recommendations, and to cooperate with the relevant bodies.

Staff strengthening of the Sector for Chemicals within the Bureau of Medicines is planned.

Database will be established for all legal entities included in the manufacturing and the trade of chemicals, as well as for all substances and preparations which have undergone the registration procedure and are traded in the Republic of Macedonia.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

The national legislation will be adjusted to the REACH Regulation as well as Regulation on the classification, labelling and packaging of substances and mixtures.

A number of Rulebooks and implementation lists of the Law on Chemicals will be adopted.

INSTITUTIONAL FRAMEWORK

Intersectoral cooperation for the purpose of implementation of the Law on Chemicals harmonised with the REACH Regulation and the capacities of all stakeholders will be strengthened.

By March 2010, the Bureau of Medicines will be transformed into Agency for Medicines. For this purpose foreign assistance is provided.

DETERGENTS

CURRENT SITUATION

The Law on Chemicals ("Official Gazette of the Republic of Macedonia", No. 113/2007) regulates the general conditions for placing detergents into circulation, as well as for packing and labelling thereof.

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

SHORT-TERM PRIORITIES

The existing institutions –State Sanitary and Health Inspectorate and Sector for Control of Drugs within the Republic Institute for Health Protection will be strengthened, and training will be delivered for the staff on application and control of the new regulations.

MEDIUM-TERM PRIORITIES

The legal frame will be completed as well as the process of staffing of the laboratories involved in quality control.

Bylaws shall be adopted to determine the methods for analysing biodegradability of detergents, test methods and methods of analysis as well as special requirements for labelling ingredients for full harmonisation with Regulation 32004R0648.

PHARMACEUTICAL AND COSMETIC PRODUCTS

CURRENT SITUATION

The Law on Safety of Cosmetic Products (Official Gazette of the Republic of Macedonia No 6p.55/2007) stipulates that the management of the area of cosmetic products is under full competence of the Ministry of Health. State Sanitary and Health Inspectorate controls and supervises the process of production and trade in cosmetic products, while the control of the quality of the cosmetic products is executed in the Republic Institute for Health Protection which is the authorised state institution for examining and control of cosmetic preparations.

The following bylaws deriving from the Law on Safety of Cosmetic Products have been adopted: List of Products Considered as Cosmetic Products (Official Gazette of the Republic of Macedonia, No 156/07) and the Rulebook on good manufacturing practice (Official Gazette of the Republic of Macedonia, No 156/07).

SHORT-TERM PRIORITIES

Bylaws deriving from the Law on Safety of Cosmetic Products shall be adopted for establishing lists of the products that must not be used in cosmetic products, the lists of substances the use of which in cosmetic products is allowed, the lists of colours, UV-filters and preservatives, the principles of good manufacturing practice, the principles of good laboratory practice, the methods for analysing cosmetic products as well as the contents and manner of labelling of the finished cosmetic products.

It is envisaged to strengthen the capacity of the Sector for Control of Drugs within the RIHP for performing control of cosmetic products quality. Training will be delivered for the SSHI staff in the areas of hygiene, good manufacturing practice of cosmetic products, implementation of legal procedures and control implications. For the RIHP needs, it is necessary to procure additional equipment for the control laboratory of the cosmetology department: one liquid chromatography device, one atomic absorption spectrophotometer and one gas chromatographer. It is also planned to conduct training for the needs of the employees in the control laboratory, concerning the introduction of new methods for quality control and handling the equipment as well as to provide subspecialisation in the area of cosmetology.

MEDIUM-TERM PRIORITIES

The SSHI administrative capacity shall be strengthened as well as that of the Republic Institute for Health Protection.

Training of the staff in the SSHI shall be carried out in the areas of hygiene, good manufacturing practice of cosmetic products, legal procedures and control implications.

MOTOR VEHICLES

CURRENT SITUATION

In November 2008, the Law on Vehicles was adopted (Official Gazette of the Republic of Macedonia, No 140/2008), in which three directives have been transposed as follows: 32007L0046, 319L0096 and 31999L0037. For the first time in the Republic of Macedonia the vehicle area is regulated by law.

Audit Commission has been established, which works on verification of Regulations in which the EU measures from the area of motor vehicles were transposed in 2007, with technical support by GTZ, and it shall proceed its work in 2009 until the adoption of the bylaws.

Competent institution for the area of motor vehicles is the Ministry of Economy. Four state institutions are competent for the implementation of this Law such as, Ministry of Economy for the homologation (vehicle authorisation), Ministry of Interior for technical inspection and registration of vehicles, Ministry of Agriculture, Forestry and Water Economy for traffic safety of tractors, agricultural and forest vehicles and Ministry of Environment and Physical Planning for checking-out vehicles for the purpose of their destruction. Inspection supervision for the implementation of the Law on Vehicles will be carried out by the inspectors as authorities within the composition of the appointed state institutions.

At the same time, the safety of vehicles in the traffic in the Republic of Macedonia and abroad is regulated by other laws in competence of other state institutions such as Ministry of Interior in charge of road traffic safety in accordance with the Law on Road Traffic Safety, and Ministry of Transport and Communications implements the Law on Road Transport, competent for carriage and transport in general.

SHORT-TERM PRIORITIES

Six rulebooks shall be adopted according to the Law on Vehicles, in which Directives 32007L0046, 32002L0024 and 32003L0037 shall be transposed.

MEDIUM-TERM PRIORITIES

By the end of 2010, implementation of the Law on Vehicles and the bylaws will be monitored by introducing a register of vehicles in the Ministry of Interior and a register of the procedure taken for homologation in the Bureau of Metrology which is appointed as an Authorising Body.

TEXTILE AND FOOTWEAR

CURRENT SITUATION

The implementation of the 4 bylaws on textile and footwear according to the Law on Product Safety is in the competence of the Ministry of Economy – Sector of Industry.

SHORT-TERM PRIORITIES

In 2009 two new rulebooks are planned to be adopted as follows:

- Rulebook on methods for quantitative analysis of two-component raw material for textile fibres in accordance with Directive 32006L0002 ;
- Rulebook on textile names in accordance with the amendments to Directive 31996L0074.

GLASS AND WOOD

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

- Law on Construction Products (area of construction glass and of products from the primary part of the wood industry, wood processing used in the construction, are covered with standards), fully harmonised with EU Directive on Construction Products (31989L0106), amended by Directive for CE marking (31993L0068).
- Law on Product Safety (Official Gazette of the Republic of Macedonia, No 33/06 and 63/07).

INSTITUTIONAL FRAMEWORK

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

SHORT-TERM PRIORITIES

In 2009 (IV quarter), a Rulebook on classification of unprocessed wood will be adopted in accordance with the new EU Decision 32007D0714. With the adoption of the new Rulebook on classification of unprocessed wood in 2009, the legal framework in this area and complete implementation of the EU measurements for glass and wood in the Republic of Macedonia shall be finalised.

INSTITUTIONS

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

3.1.4 NEW AND GLOBAL APPROACH PRODUCTS LEGISLATION

CURRENT SITUATION

LEGAL FRAMEWORK

A significant number of New Approach Directives has been transposed.

The Law on Products Safety has been adopted ("Official Gazette of the Republic of Macedonia", No 33/06 and 63/07), transposing Directive 32001L0095, thus constituting legal basis for adoption of bylaws in which the New Approach Directives will be transposed.

A total of 17 rulebooks have been adopted in accordance with the Law on Products Safety.

For the purpose of implementation of the rulebooks in accordance with the Law on Products Safety, the Minister of Economy in 2007 and 2008 published four lists of adopted standards, as follows:

- List of standards with the use of which the product is considered safe ("Official Gazette of the Republic of Macedonia", No 75/2007);
- List amending the List of Standards, with the use of which the product is considered safe (equipment and protection systems, safety of machines, low voltage, electromagnetic compatibility, pressure equipment and personal safety equipment) or a total of 235 standards ("Official Gazette of the Republic of Macedonia", No 136/2007);
- List amending the List of Standards, with the use of which the product is considered safe (equipment and protection systems, safety of machines, low voltage, electromagnetic compatibility, pressure equipment and personal safety equipment) or a total of 235 standards ("Official Gazette of the Republic of Macedonia" No 45/2008) and
- List amending the List of Standards, with the use of which the product is considered safe (equipment and protection systems, safety of machines, low voltage, electromagnetic compatibility, pressure equipment and personal safety equipment) or a total of 95 standards ("Official Gazette of the Republic of Macedonia", No 120/2008).

The Law Amending the Law on Construction Products (Official Gazette of the Republic of Macedonia, No 39/06 and 86/08) is fully harmonised with EU Directive on Construction Products (31989L0106), amended by CE marking Directive (31993L0068).

For the purpose of implementation of the rulebooks in accordance with the Law on Construction Products, the Minister of Economy in 2007 and 2008 published a list of adopted basic standards (standardisation documents, as amendments, annexes and corrigenda) as follows:

- List of accepted Macedonian National Standards, a total of 201 basic standards (Official Gazette of the Republic of Macedonia, No 64/2007)
- List amending the List of Macedonian National Standards which are accepted, harmonised standards, or a total of 108 basic standards (Official Gazette of the Republic of Macedonia, No 8/2008 and 129/2008).

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

SHORT-TERM PRIORITIES

Rulebook on Children's Toys which was harmonised with the amendments to Directive 31988L0078 will be adopted based on the Law on Customer Protection (Official Gazette of the Republic of Macedonia, No 38/2004).

The following Rulebook will be adopted:

- Recreational crafts
- Radio and telecommunication terminal equipment
- Classification of wood.

Bylaws to be adopted within the framework of the Law on Construction Products include:

- Rulebook on fire classification of construction products
- Rulebook on the procedure for awarding European technical approval to a construction product for use in construction according to Directive 31989L0106 for construction products and for determining the conformity for individual families of construction products (the Rulebook is not drafted; the area will be covered by standards).

MEDIUM-TERM PRIORITIES

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

MEDICINAL DRUGS AND MEDICAL DEVICES

CURRENT SITUATION

The Law on Medicinal Drugs and Medical Devices (Official Gazette of the Republic of Macedonia, No 106/2007) covers the part of medicinal drugs and medical devices.

In 2008 the following were published: Rulebook on issuing of an approval for placing a drug into circulation, Rulebook on renewal of an approval, Rulebook on transfer of approval for placing a drug into circulation, Rulebook on advertising medicinal drugs, Rulebook on pharmacovigilance, as well as the procedure for publication of a Rulebook on changes in the approval, Rulebook on registration of traditional herbal drugs and a Rulebook on Production of Drugs harmonised with Directive 32002L0024, is currently in process.

SHORT-TERM PRIORITIES

Training of the staff on implementation of the new basic legal provisions connected to the IPA-projects is to be carried out. The following bylaws are to be adopted: Rulebook on clinical trials of medicinal drugs, Rulebook on labelling of medicinal drugs and

instructions for use for the patient, Rulebook on import of medicinal drugs, Rulebook on manufacturing of galenic drugs, Rulebook on wholesale trade, Rulebook on retail trade, Rulebook on drugs quality control, Rulebook on the manner of prescribing and issuing of drugs.

MEDIUM-TERM PRIORITIES

The following bylaws are to be adopted: Guidelines on GMP, GCLP, GLP, GCP, GFP, Rulebook on registration of homeopathic drugs (32001L0082), Rulebook on analytical control of drugs, and Rulebook on pharmacological-toxicological control of drugs.

Continuous training of the staff on the new procedures related to the implementation of the rulebooks is required as well as providing funds thereof.

3.1.5 PROCEDURAL MEASURES

NOTIFICATION PROCEDURES

CURRENT SITUATION

The Decree on notification procedure according to the EU rules has been adopted, deriving from the Law on Products Safety (Official Gazette of the Republic of Macedonia, No 107/2007), transposing Directive 31998L0034 laying down a procedure for provision of information in the field of technical standards for services in the information society and will apply as of the day of accession of the Republic of Macedonia in the European Union.

SHORT-TERM PRIORITIES

The relevant institutions are to be prepared for implementation of the Decree and of Notification Directive in the non-harmonised area.

MEDIUM-TERM PRIORITIES

The Sector for Internal Market within the Ministry of Economy and the Institute of Standardisation of the Republic of Macedonia will monitor this matter. A special department to serve as a contact point for the Notification Directive 31998L0034 in the non-harmonised area will be set up. Moreover, at least one employee will be allocated to work on the non-harmonised area in the Ministry of Transport and Communications, Ministry of Agriculture, Forestry and Water Economy, Ministry of Interior, Ministry of Health and Ministry of Labour and Social Policy. To this end, training for the employees 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 will be provided.

FREE MOVEMENT OF CULTURAL GOODS

CURRENT SITUATION

The amendments to the Law amending the Law on Protection of the Cultural Heritage (Official Gazette of the Republic of Macedonia, No 115/07) have provided partial harmonisation with the EU Regulation. Full harmonisation with Regulation was reached by adopting the Rulebook on the form and the content of the forms of the licences and certificates for exit and export of cultural goods and the manner of issuing such licences and certificates (Official Gazette of the Republic of Macedonia, No 105/08).

The licenses and certificates for exit of cultural goods abroad have been issued on standardised and uniformed forms by the Institute for the Protection of Cultural Heritage as of 1 September 2008.

INSTITUTIONAL FRAMEWORK

The Sector for Protection of Cultural Heritage is functioning within the structure of the Ministry of Culture with 11 employees and the Directorate for Protection of Cultural Heritage, a body within the same Ministry, with the capacity of legal entity with 40 employees. The Unit for prevention of cultural heritage, in the Sector for Prevention and Inspection Supervision within the Directorate, monitors the situation regarding the unlawful import/export and removal abroad of the cultural heritage, and takes preventive measures for reducing the possibilities of occurrence of related risks. In this respect, the cooperation with the competent ministries of interior and foreign affairs as well as with specialised institutions both in the country and abroad is realised.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

INSTITUTIONAL FRAMEWORK

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

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

INSTITUTIONAL FRAMEWORK

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

FIREARMS

LEGAL FRAMEWORK

Law amending the Law on Weapons has been adopted (Official Gazette of the Republic of Macedonia, No 86/2008).

The following rulebooks have been adopted:

- Rulebook amending the Rulebook on the Programme for training in correct handling, keeping and maintaining of the weapons, the manner of organising the practical training in weapon handling, as well as the manner of organising the vocational exam for testing the technical knowledge on correct usage of the weapons and knowledge of the weapon regulations (Official Gazette of the Republic of Macedonia, No 135/2008).
- Rulebook amending the Rulebook on minimum technical and safety requirements that the facilities for practical training in weapon handling of legal entities should meet (Official Gazette of the Republic of Macedonia, No 135/2008).
- Rulebook on the forms and ammunition and on the manner of keeping records of weapons and ammunition (Official Gazette of the Republic of Macedonia, No 93/2008).

INSTITUTIONAL FRAMEWORK

The Ministry of Interior is responsible for the preparation and implementation of the relevant laws and bylaws. A certain number of provisions from the abovementioned law provide for obligations for following entities as well:

- Courts; Social Work Centres (Article 10(1)); public health care organisations (Article 11(5)); authorised legal entities for practical training in weapon handling (Article 14); Ministry of Defence (Article 46(3) and Article 69(1); Ministry of Economy (Article 46(3));
- Ministry of Foreign Affairs (Article 69(1)).

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

SHORT-TERM PRIORITIES

Rulebook on the approval form for entry of weapons and European Weapon Document (derives from Chapter X of the Law, which will apply following the accession of the Republic of Macedonia in the EU). This Rulebook will be adopted following the application of Chapter X of the Law on Weapons.

STRATEGIC DOCUMENTS

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

MEDIUM-TERM PRIORITIES

Adoption of a Law on Branding and Marking of Weapons and developing a Rulebook on the approval form for weapons entering, and European Weapon Document.

EXTERNAL BORDERS CONTROL

SHORT-TERM PRIORITIES

The Republic of Macedonia during 2009 will adopt the Law on Market Surveillance in which Chapter III of Regulation 32008R0765 will be transposed on community market surveillance framework and controls of products entering the community market.

For the purpose of establishing new control system, revision of the competencies of the inspection authorities is been performed, which should completely reorganise their manner of work, develop capacity for carrying out surveillance in the internal market of the Republic of Macedonia instead of the customs terminals, be able to perform risk analysis, and in relation to this, establish adequate mechanisms for data exchange with the customs authorities, and create databases available to the customs authorities.

MEDIUM-TERM PRIORITIES

Customs authorities will develop mechanisms for using data obtained from the competent authorities while building their own risk analysis systems as well as efficient mechanisms for communication with the other inspection authorities in cases where they decide to suspend the release of goods which would give rise to a serious suspicion and reason to believe in the existence of a serious and immediate risk to health and safety when these products are used in normal and foreseeable conditions, and/or that a

product or group of products is not accompanied by a document or not marked in accordance with the regulations on product safety .

FOREIGN ASSISTANCE

Within the Market Surveillance Project, the funds have been secured for support of the State Market Inspectorate and State Technical Inspectorate, including IT equipment for the purpose of implementation of the abovementioned activities. The technical specification has been approved, evaluation for selecting the best bidder has been completed and the procedure for installing the appropriate equipment has already started.

3.2 FREEDOM OF MOVEMENT OF WORKERS

3.2.1 ACCESS TO LABOUR MARKET CURRENT SITUATION

The basic act that regulates the existing legal framework in the area of access to labour market for foreigners is the Law on Employment and Work of Foreigners ("Official Gazette of Republic of Macedonia" no.70/2007). For protection of the interests of the foreigners, as well as for a more practical application of the legislation, the amendments of this Law in governmental procedure have been started.

SHORT-TERM PRIORITIES

- The Law Amending the Law on Employment and Work of Foreigners will be adopted at the beginning of 2009. The proposed amendments to the Law Amending the Law on Employment and Work of Foreigners provide terminological harmonisation with the Law on Asylum and Temporary Protection, as well as a possibility for victims of illegal trafficking in human beings who have regulated their residence in the country to obtain a personal work permit which will enable them a free access to the labour market, pursuant to the provisions of the Council of Europe Convention on Action against Trafficking in Human Beings. This Convention was signed by the Republic of Macedonia and has to be ratified by the end of 2008 by the Assembly of the Republic of Macedonia. The main goal that will be achieved with the proposed amendments to the Law is, above all, acceleration of procedure and shortening of deadlines for issuance of certain types of work permits.
- The national Assembly needs to adopt a Resolution on migration, pursuant to the Law on Foreigners and the Law on Employment and Work of Foreigners.
- The institutions involved in the process of issuance of work permits will be electronically interconnected.
- Preparation and printing of multilingual brochures on the processes of issuance of permits for temporary stay for employment, work and individual performance of activity by foreign nationals.

MID-TERM PRIORITIES

- Accomplished conclusion of the process of Macedonian legislation harmonisation, particularly with the provisions from Article 39 from EC Treaty.
- Amendments to the existing national legislation, which will enable the EU citizens, upon accession of Republic of Macedonia to the EU, access to the public sector pursuant to the *aquis* and the EU case-law.

3.2.2 EURES

CURRENT STATUS

The following have been assigned as the basic components of the country's preparation for accession to EURES:

- Compatibility of the vacancy database with the International Standard Classification of Occupations (ISCO-88). This was accomplished on 1 December 2008. Novelty in the system is that advertised vacancies are described pursuant to the National Classification of Occupations (NCO), which is completely harmonized with ISCO-88. Thus, the vacancy bank is comparable to EURES bank, and when the time comes for vacancies to be advertised from the Republic of Macedonia on EURES website, it will be done in a simple way, which means that one of the key preconditions for admission to EURES has been met.
- Improvement of staff capacity - i.e. improvement of computer skills and mediation skills at employment between employers and job seekers, particularly for IT staff in the Employment Agency of the Republic of Macedonia (EARM).

SHORT-TERM PRIORITIES

- Compliance of the national legislation with Decision 32003D0008 as regards the clearance of vacancies and applications for employment and the EURES Charter 52003XX0503 (02).
- Drawing up of an Action Plan of measures and activities for participation of the Republic of Macedonia in EURES.
- Undertaking all necessary measures (of organisational and technical nature) for gradual introduction of administrative and technical capacity in the Employment Agency of Republic of Macedonia and the Employment Centres, for its participation in the EURES System.

MID-TERM PRIORITIES

Complete implementation of the plan for participation in the EURES System.

3.2.3 COORDINATION OF SOCIAL SECURITY SYSTEMS

CURRENT STATUS

The Republic of Macedonia contributes actively towards the conclusion of bilateral agreements on social security. The Bilateral Agreement on Social Security with Romania entered into force on 1 March 2008 ("Official Gazette of Republic of Macedonia" No 69/2006). In addition, the Bilateral Agreement on Social Security with Luxemburg has been ratified and will enter into force at the beginning of 2009. Negotiations have been finished and agreements on social security signed, with Canada and in September 2008 with Monte Negro as well.

In this period, the liaison bodies (Pension and Disability Insurance Fund and Health Insurance Fund) established communications with the liaison bodies of the Kingdom of Belgium, Hungary, and the German body responsible for accidents at work, whereas bilingual forms and compliance with the administrative agreements were established. In November 2008, preliminary talks were held on concluding an Agreement on Social Security with Australia. Considering the fact that a great number of Macedonians live and work in this transatlantic country, concluding an agreement on social security with Australia is in the interest of the Republic of Macedonia, particularly in the area of pension and disability insurance.

Bilateral negotiations regarding the text of the agreement on social security with Australia will commence in Skopje in March-April 2009.

SHORT-TERM PRIORITIES

In the area of bilateral regulation of social security with other countries, during 2009, a negotiations procedure on concluding bilateral agreements on social security with Italy, France, Sweden, Slovakia, Norway, England and Northern Ireland will be initiated.

Improvement of administrative capacity is planned for full application of Regulations 31971R1408 and 31972R0574 for the areas of social security and staffing of the Sector for Pension and Disability Insurance within the Ministry of Labour and Social Policy, the Pension and Disability Insurance Fund of Macedonia, the Health Insurance Fund of Macedonia and the Employment Agency of Republic of Macedonia.

MID-TERM PRIORITIES

Adoption of a Law on Payment of Pensions and Pension contributions from Fully Funded Pension Insurance, in which the new Regulation 32004R0883 will be transposed, is priority in the area of pension insurance. This Law will regulate types of pension payments from fully funded pension insurance (annuities, programmed withdrawals, single withdrawals), pension payment institutions, method of calculation of pension from fully funded pension insurance, and other issues.

EUROPEAN HEALTH INSURANCE CARD

CURRENT SITUATION

The Health Insurance Fund of Macedonia signed Agreements for use of the European Health Insurance Card on the territory of Republic of Macedonia in 2008 with the following countries: the Czech Republic (in force since 1 June 2008) and the Federal Republic of Germany (in force since 1 October 2008).

Based on positive past experience in the use of the European Health Insurance Card on the territory of Republic of Macedonia, the Health Insurance Fund of Macedonia has submitted an initiative for concluding such agreements with other EU Member States. This initiative has been accepted by the Kingdom of Holland, the Kingdom of Belgium, Republic of Bulgaria and Republic of Hungary, and negotiations on concluding such agreements are planned with these countries.

The Ministry of Health has adopted a Strategy for development of an integrated health information system of Macedonia with special emphasis on the use of electronic health card. This document determines the dynamics of activities and anticipates introduction of electronic health card by 2010. In May 2008, a procedure on public procurement of electronic health card was implemented at the Ministry of Health, and a software company for production of the electronic health card was selected.

SHORT-TERM PRIORITIES

For introduction of the electronic national health insurance card, which would replace the current medical booklet, it is going to be worked on the fulfilment of the following conditions:

- Adoption of a bylaw on determining the legal and technical framework for introduction of the national healthcare insurance card which would implement the following EU measures: 32003D0751 aimed at introducing a European health insurance card, for replacement of forms necessary for application of Regulations 1408/71 and 574/72 on access to health services during a temporary stay in a Member State other than the country of residence; Decision 32003D0752 concerning the technical specifications of the European health insurance card; and Decision 32003D0753 concerning the replacement of forms E 111 и E 111 V with the European health insurance card.

- Revision of the basic package of health services;
- Provision of appropriate information technology, which will be implemented as a pilot in the Clinical Centre in Skopje and other general hospitals in Republic of Macedonia and will cover all categories of insured persons;
- The Ministry of Health will sign an agreement with the selected software company at the beginning of 2009. The Ministry of Health will form a Project Unit for implementation of the electronic health card project comprised of representatives from the Health Insurance Fund of Macedonia and external experts.

MID-TERM PRIORITIES

Complete implementation of the bylaw on determining the legal and technical framework for introduction of the national health insurance card is anticipated, as well as implementation of the voluntary health insurance in practice pursuant to the Law on Health Insurance and the Law on Insurance, for covering expenses for health services not covered by the compulsory health insurance.

3.3 RIGHT OF ESTABLISHMENT AND FREEDOM TO PROVIDE SERVICES

3.3.1 RIGHT OF ESTABLISHMENT

CURRENT SITUATION

The Regulatory Guillotine is in its final phase of implementation through inclusion of the relevant regulations in the Single Electronic Registry of Regulations so as to ensure efficiency. Over 2000 regulations (laws and bylaws) were subjects to review by the state administrative bodies for the purpose of removing all the excessive and unjustified barriers in order to simplify administrative procedures. The Law Amending the Law on One-stop-shop System and the Maintenance of the Trade Register and the Register of Other Legal Persons ("Official Gazette of the Republic of Macedonia No 150/07") contains provisions intended to implement the established needs for simplification of process for starting the business activity, improving the One-stop-shop System and removing the unjustified formalities.

In that direction the Law Amending the Company Law ("Official Gazette of the Republic of Macedonia, No 87/08") contains a provision enabling online registration through the One-stop-shop System. Applicability of this provision is postponed for the second half of 2009 when it is expected that the electronic system at the Central Register will be fully operational.

According to the latest amendments to the Law on Foreign Exchange Operations ("Official Gazette of the Republic of Macedonia No 81/08") and for the purpose of providing more simplified and efficient procedure for registration of the investments in the appropriate registers the following have been adopted: Rulebook on the manner of reporting, registering, as well as the form, content the manner of keeping the register of direct investments of non-residents in the Republic of Macedonia ("Official Gazette of the Republic of Macedonia, No 122/08") and a Rulebook on the manner of reporting, registering, as well as the form, content and manner of keeping the register of direct investments of residents abroad ("Official Gazette of the Republic of Macedonia, No 122/08").

SHORT-TERM PRIORITIES

Main priority is evaluation of the existing regulation in terms of determining the requirements for the right of establishment which are contrary to Directive 32006L0123 on Services in the internal market and their elimination for natural and legal entities of the EU Member States.

The analysis of the existing regulation continues for the purpose of ensuring that the right of establishment of natural and legal entities of the EU Member States on the territory of the Republic of Macedonia according to the requirements of Services Directive. In this respect the procedures for issuing approvals in view of their transparency, objectiveness and timeliness are analysed.

FOREIGN ASSISTANCE

Within the framework of cooperation with Slovenia – a Programme for technical assistance from Slovenia - during 2009 a training for Services Directive has been planned for the members of the work group for Chapter 03 – Right of Establishment and Freedom to Provide Services as well as one study visit to Slovenia whereby their experiences for implementation of the Directive will be presented to authorities from Macedonia.

3.3.2 FREEDOM TO PROVIDE SERVICES

CURRENT SITUATION

In accordance with the planned activities for compliance with Directive 32006L0123, the legislation in the service sector is analysed. Furthermore, simplification of the requirements for the service providers in the Republic of Macedonia has been completed in certain laws in the service sector.

- The amendments to the Law on Tourism ("Official Gazette of the Republic of Macedonia, No 89/2008") and the amendments to the Law on Catering Industry ("Official Gazette of the Republic of Macedonia, No 89/2008") simplified the procedures for obtaining a license and the time frame of the procedure according to the principle "silence means approval" is shortened.
- The Law Amending the Law on the Bar ("Official Gazette of the Republic of Macedonia, No 29/07") provides for legal aid and the performance of legal activities on the territory of the Republic of Macedonia for the lawyers and lawyer associations of the EU Member States. This provision enters into force upon accession of the Republic of Macedonia in the European Union.

In the Ministry of Economy, in the course of 17-19 November 2008 TAIEX expert mission for Services Directive took place. This activity was attended by representatives of different institutions relevant for this Chapter. The objective of the Mission was to explain the difference between the right of establishment of the service providers and the freedom of providing cross-border services.

SHORT-TERM PRIORITIES

With regard to the complexity of the analysis of the overall service sector legislation and the possibility not to cover all the legal acts regulating the access of foreign service providers in the Republic of Macedonia, the Work Group for Chapter 03 determined the need for preparation of Action Plan for compliance with the requirements of Services Directive 2006/123/EC.

Activities have been initiated for preparation of the Action Plan on the basis of received reports for harmonisation by all the administrative bodies competent for the laws and bylaws regulating the access of foreign services providers to the market. The Action Plan will determine the dynamics of preparation, proposal and adoption of laws and bylaws in order to eliminate unjustified barriers and simplify procedures in accordance with the Directive.

The licensing system in the service sector will be reviewed as well, for the purpose of determining the justification of certain requirements in the process of providing services and the need for services simplification. For that purpose, a more active inclusion of representatives of the economic chambers and professional associations in the work of inter-ministerial working group for this Chapter is planned.

MEDIUM-TERM PRIORITIES

On medium term the legal activities foreseen in the Action Plan for elimination and/or simplification of the provisions of laws and bylaws in the service sector identified as barriers according to the requirements of Services Directive will continue.

Starting up of activities for establishing "points of single contact" is planned. Currently, a web portal www.uslugi.gov.mk is functioning in the Republic of Macedonia providing information to the citizens and legal entities by the public administration. The web portal contains description of services, legal basis, competent institution, data on the person in charge of the institution, application forms and description of the application procedure.

The General Secretariat of the Government of the Republic of Macedonia is in charge of maintenance of the web portal which is a good basis for fulfilling the requirements from Services Directive in terms of creating points of single contact..

FOREIGN ASSISTANCE

In the course of 2008, the expert assistance of the European Commission has been approved within the TAEIX programme for training of the representatives of horizontal body for inter-ministerial cooperation for further directions relating to the harmonisation with Directive 32006L0123. In the period from 17.11.2008 – 19.11.2008 as a part of TAEIX expert mission, a seminar on Services Directive took place. In the course of 2009 a workshop on Services Directive within the TAEIX programme is planned.

3.3.3 POSTAL SERVICES

CURRENT SITUATION

LEGAL FRAMEWORK

With the approximation of the national legislation with the European law, drafting of the Strategy for development of the postal services as a strategic document was foreseen in 2007. This document was drafted by the Government of the Republic of Macedonia. The Strategy anticipates the development of the postal sector, by laying down clear and measurable aims and tasks of preferential significance for the Republic of Macedonia. This Strategy covers the issues on provision of the postal services in the Republic of Macedonia and the objectives for further development of postal services are defined.

1. The first main objective laid down in the Strategy is establishing new regulation framework, a new Law on Postal Services has been adopted ("Official Gazette of the Republic of Macedonia, No 9/08"), partially harmonised with Directives of the European Parliament and of the Council, and its full harmonisation was made by the adoption of the bylaws deriving from the Law, and are intended for its enforcement and implementation.

Directive 32002L0039, of the European Parliament and of the Council of 10 June 2002 with regard to the further opening to competition of Community postal services, has been transposed in the Law thus ensuring gradual and controlled liberalisation of the postal services market.

2. The establishment of an Independent Regulatory Body for postal services, legally autonomous and independent on the operational plan from the postal operators, is provided for in the new Law. The Postal Agency as an independent regulatory body commenced its work in June 2008. Commencement of the work of the Postal Agency ensured full realisation of the second objective provided for in the Strategy for Development of Postal Services. In October 2008 the anticipated bylaws were adopted by the Postal Agency and published in the "Official Gazette of the Republic of Macedonia, No 131/2008", thus ensuring full harmonisation with the Directives of the European Parliament and of the Council.

The Postal Agency, in December 2008, issued approvals to seven (7) providers of postal services in the free postal services market, and to JSC "Makedonska Posta" was issued an individual license on basis of which it shall provide the universal postal service.

INSTITUTIONAL FRAMEWORK

The Ministry of Transport and Communications is authorised institution for establishing 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.

The Agency for Posts is a regulatory body with the function of regulating the postal services market and introducing gradual and controlled liberalisation of the market. A step towards reaching an appropriate administrative capacity has been achieved by the employment of seven (7) persons with a university degree within the Postal Agency. .

The state-owned joint-stock company "Makedonska Posta", in accordance with the existing Law is the competent public operator for performing the activities in the internal and international postal traffic, including provision of universal postal service.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

As a main priority in this filed remains the implementation of the Law on Postal Services and of all bylaws already adopted, as well as the entire implementation of the Strategy for Development of Postal Services in the Republic of Macedonia in the period from 2008 until 2010.

The Postal Agency will adopt general acts by for the purpose of providing postal services and development of electronic database containing data for the issued licenses and approvals. The register of license and approval holders shall be widely accessible in public.

The Postal Agency will adopt a Rulebook on determining methodology for calculation of annual compensation for performing supervision of the postal services market, as well as laying down the manner and conditions for access to the public postal network, the price of the access, and other questions related thereof.

In cooperation with the Commission for Protection of Competition, the Agency for Posts shall work on the implementation of the provision on prevention of subsidising other postal services from the incomes realised from the universal postal service.

The Postal Agency shall define a method and shall evaluate the quality of delivery of the postal parcels.

Within its activities, the Postal Agency shall work on:

- preparation of a methodology for analysis of the postal services market, on which basis an analysis of the existing postal services market in the country shall be carried out;
- preparation of a methodology for monitoring the prices of other providers of postal services on the basis of a price system in the free market;
- Preparation and adoption of legal acts for the purpose of surveillance and inspection and shall initiate procedures for pronouncement of misdemeanour sanctions of the Law on Postal Services.
- preparation of a Strategic and Operational plan of the Agency for the period from 2009 – 2012.

INSTITUTIONAL FRAMEWORK

In the Sector for Communications within the Ministry of Transport and Communications, a Unit for Postal Services has been set up to perform the activities in this field. Three experts are employed on full-time basis in the Unit.

For the purpose of fulfilling the activities envisaged in the Law on Postal Services in the part of surveillance and inspection of the market and further strengthening of its own administrative and operational capacity in more sectors, the Agency for Posts is in need of employing six qualified persons, two of which shall be authorised inspectors for postal traffic, three in the Sector for Market Analysis and one administrative person.

Budgetary number	Institution	Current status	2009	Total
	MTC Sector for Communications- Unit for Postal Services	3	0	3
	Agency for Posts	7	6	13
Total		10	6	16

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

Harmonisation of the Law on Postal Services and bylaws with the European Union legislation within framework of possible amendments to the Directive in the area of Postal Services.

In the course of 2009, the Postal Agency expects to establish contacts with the Universal Postal Union and CERP with the regulatory bodies from various countries aiming at exchange of experiences and facilitation of the process of implementation of the regulation and the process of approximation of the national legislation in the area of postal services to the EU legislation.

INSTITUTIONAL FRAMEWORK

Training to the employees in the Ministry of Transport and Communications-Unit for Postal Traffic.

The Agency for Posts will need to provide training to its employees in the area of regulation of the postal service market, implementation of the accounting systems in the providers of a universal postal service, public relations and in the area of protection of the competition. Therefore, funds in the financial plan of the Agency will be planned for 2009.

3.3.4 MUTUAL RECOGNITION OF PROFESSIONAL QUALIFICATIONS

CURRENT SITUATION

The recognition of professional qualifications in the Republic of Macedonia is regulated under numerous legal acts and bylaws by a number of relevant institutions.

The Macedonian Informative Centre (ENIC) represents a body established with the intention to disseminate information on the legislation and the manner of recognition of foreign higher education qualifications. Currently, according to the new Rulebook on systematisation of working posts in the Ministry of Education and Science from January 2009, this centre is transformed into a Unit for Network Organisation in Schools; Unit for Evaluation of Primary and Secondary Education and Nostrification and Recognition of Equivalent Certificates and Diplomas, as well as a Unit for Organisation of the Higher Education Network.

In October 2008 a TAIEX application was requested for organisation of workshop for Directive 2005/36. According to the planned activities, in the course of the second trimester of 2009, a TAIEX workshop for the representatives of the horizontal work group has been planned, following the preparation of the text of draft Law on mutual Recognition of Professional Qualifications, and the adoption of which is expected to be mid-2009.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

By the end of the first half of the 2009, adoption of the Law on mutual Recognition of the Professional Qualifications is expected, which shall be harmonised with Directive 32005L0036. For that purpose, activities are planned for organising training on introduction with the Directive and preparing an analysis on the level of harmonisation of the national legislation with Directive 36/05.

FOREIGN ASSISTANCE

The Ministry of Education and Science plans to use foreign assistance for strengthening the administrative capacity for the purpose of entire harmonisation of the national legislation with EC Directive 32005L0036. The foreign assistance shall consist of:

- TAIEX workshop for EC Directive 36/2005, where representatives from MES, ME, MLSP, the Chambers and all other relevant institutions are expected to be present;
- TAIEX training for harmonisation of the national legislation with EC Directive 36/2005.

3.4 FREE MOVEMENT OF CAPITAL

3.4.1 MOVEMENTS OF CAPITAL AND PAYMENTS

CURRENT SITUATION

LEGAL FRAMEWORK

Starting point for regulation of the movement of capital and the current payments in the Republic of Macedonia represents the Stabilisation and Association Agreement between the Republic of Macedonia and the European Union signed in 2001. According to the obligations assumed by this Agreement, the Law on Foreign Exchange Operations ("Official Gazette of the Republic of Macedonia", No 34/2001; 49/2001; 103/2001; 54/2002, 32/2003, 51/2003 and 81/2008) provides for a gradual liberalisation of the movement of capital depending on its maturity and type.

Namely, the Law on Foreign Exchange Operations contributes to full liberalisation of the direct investments, commercial credits and financial loans and credits with a maturity period exceeding 1 year. Provisions of the Law ensure liberalisation of the financial credits as well, with a maturity period less than 1 year.

In order to liberalise the investments in real estate by the non-residents in the course of 2008 an amendment was made to the Law on Property and Other Real Rights ("Official Gazette of the Republic of Macedonia", No 18/2001 and 92/2008), thus ensuring non-residents from the countries of the European Union and OECD to be able to acquire ownership over real estate under the same conditions as the citizens of the Republic of Macedonia.

At the same time, aiming at simplified keeping of accounts in domestic banks by the non-residents, NBRM in the course of 2008 adopted a Decision amending the Decision on the manner and conditions for opening and keeping accounts of non-residents ("Official Gazette of the Republic of Macedonia", No 139/2008) for abolition the restrictions of the non-residents to make payments of effective foreign money or denars at their accounts within the banks, formerly withdrawn from these accounts within 30 days from the date of payment.

According to the Law on Foreign Exchange Operations and for the purpose of facilitating the conditions for imports in and exports from the Republic of Macedonia of effective foreign money and cheques, in the course of 2008, a Decision was adopted amending the Decision on the conditions and amount of effective foreign money and cheques which may be imported in or exported from the Republic of Macedonia ("Official Gazette of the Republic of Macedonia", No 69/2008).

This Decision provides for the residents and non-residents to be able to freely import in or export from the Republic of Macedonia effective foreign money and cheques at the amount of EUR 10,000. This Decision is in compliance with Regulation 32005R1889 of the European Parliament on controls of cash entering or leaving the Community, laying down that every natural entity entering or leaving the Community and bringing cash of over EUR 10,000 should report the amount to the competent bodies of the country it enters or leaves.

INSTITUTIONAL FRAMEWORK

The Law on Foreign Exchange Operations is prepared by the Ministry of Finances. Bylaws providing more efficient 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 enforcement of the Law on Foreign Exchange Operations and bylaws adopted on the basis of this Law, within their respective competencies is performed by: The National Bank of the Republic of Macedonia, the Ministry of Finance, the State Foreign Exchange Inspectorate, the Ministry of Economy and the Macedonian Securities and Exchange Commission. The aforementioned supervision bodies inform each other on any incompliance with the provisions of the Law and assist each other regarding the established irregularities.

SHORT-TERM PRIORITIES

The Law on Foreign Exchange Operations provides for gradual liberalisation of the movement of capital ("Official Gazette of the Republic of Macedonia", No 34/01, 49/2001, 51/2003, 81/2008). Namely, full liberalisation of the operations with securities and investments in real estate of residents abroad is planned with the transitional provisions of the Law, following the expiry of the first stage of SAA.

At the beginning of the 2009 a new Law on Investment Funds shall be adopted. The following Directives shall be transposed in the Law: 32001L0108, 32001L0107, 31985L0611, 32000L0064, 32004L0039 and 32007L0044 for a collective investment in transferable securities.

During 2009 amendments to the Law on Securities are expected to be adopted for harmonisation with Directives: 31997L0009 and 32007L0044.

MEDIUM-TERM PRIORITIES

Following the expiry of the second phase of SSA, the transitional provisions of the Law on Foreign Exchange Operations provide for liberalisation of the deposit operations by the residents abroad.

By 2011 the Macedonian Securities and Exchange Commission is planned to undertake activities for connection with the databases of other national institutions such as Central Register, Public Revenue Office, National Bank of the Republic of Macedonia, Agency for Supervision of Fully Funded Pension Insurance, Ministry of Interior, Ministry of Finance-Financial Police and Administration for Prevention of Money Laundering and Terrorist Financing.

3.4.2 PAYMENT OPERATIONS

CURRENT SITUATION

LEGAL FRAMEWORK

Payment operations in the country are regulated by the Law on Payment Operations ("Official Gazette of the Republic of Macedonia", No 113/07 and 22/08) and the bylaw deriving from the provisions of this Law. According to the Law, as of 1 January 2008, the payment operations are performed solely through transaction accounts reported in the single register of transaction accounts.

In May 2008 work groups for implementation of certain strategic directions arising from the Strategy for Development of the Payment System of the Republic of Macedonia (2009-2011) were established within the National Council on Payment Systems, as follows: for promotion of growing trends of cashless payments, electronic credit transfers, electronic direct borrowings, pay cards, cash, legal support and support of operations, infrastructure and standards.

INSTITUTIONAL FRAMEWORK

The Ministry of Finance is an authorised institution for preparation of the Law on Payment Operations. The adoption of the bylaws deriving from this Law is in the competence of the Ministry of Finance and the National Bank of the Republic of Macedonia. The Supervision of the payment systems operation is performed by the National bank of the Republic of Macedonia. The National Bank of the Republic of Macedonia adopts the bylaws deriving from the Law on Foreign Exchange Operations that refer to the international payment operations.

SHORT-TERM PRIORITIES

Review and preparation of an implementation plan for Directive 2007/64 on payment services in the EU internal market and defining the provisions referred to in the Directive to be transposed in the national legislation.

MEDIUM-TERM PRIORITIES

Gradual transposition of the provisions of Directive 2007/64/EC on payment services in the EU internal market.

Adoption of Regulation 2560/2001 on cross-border payments in Euros.

3.4.3 PREVENTION OF MONEY LAUNDERING AND TERRORIST FINANCING

CURRENT SITUATION

LEGAL FRAMEWORK

The new Law on Prevention of Money Laundering and Other Criminal Proceeds and Terrorist Financing was adopted in January 2008 ("Official Gazette of the Republic of Macedonia", No 04/2008). This Law has changed the status of the old Directorate for Prevention of Money Laundering which was renamed into Administration for Prevention of Money Laundering and Terrorist Financing. The new Institution has the status of a legal entity, with its own budget, the capacity for performing supervision over the entities covered by the Law. For the first time with this Law in the part of the definitions, the criminal act 'terrorist financing' has been thoroughly described and a definition of 'politically exposed persons' has been introduced.

In addition, in January 2008 the amendments to the Criminal Code of the Republic of Macedonia ("Official Gazette of the republic of Macedonia", No 07/2008) were adopted and they subsume and integration of all criminal acts in the area of terrorism.

INSTITUTIONAL FRAMEWORK

In the implementation of the measures and activities, besides the legal framework for fight against money laundering and terrorist financing, an institutional frame has been established, which generally consist of the following bodies:

- Administration of Prevention of Money Laundering and Terrorist Financing, which is carrier of the activities in this segment;
- Ministry of Interior;
- Financial Police Directorate;
- Public Prosecutor's Office;
- Judiciary and
- the supervisory bodies in the National Bank, Unit for Insurance Supervision within the Ministry of Finance,
- Public Revenue Office,
- State Foreign Exchange Inspectorate,
- Customs Administration of the Republic of Macedonia,
- Macedonian Securities and Exchange Commission

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

Adoption of the Law on ratification of the 2005 Convention on Money Laundering, Search, Seizure, Confiscation of the Proceeds from Crime and the Financing of Terrorism, amending the 1990 Strasbourg Convention (Warsaw Convention, No 198) has been planned.

By the end of 2009, the Law Amending the Law on Prevention of Money Laundering and Other Criminal Proceeds and Terrorist Financing is expected to be adopted. Amendments to this Law provide for harmonisation with Directive 32005L0060 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing and implementation of the aforementioned Council of Europe Convention of 2005 (No 198).

By the end of 2009 a number of bylaws will be adopted deriving from the Law on Prevention of Money Laundering and Other Criminal Proceeds and Terrorist Financing. For the purpose of strengthening the activities in the area of money laundering prevention, and pursuant to the provisions of Article 46 of the Law on Prevention of Money Laundering and other Criminal Proceeds and Terrorist Financing, NBRM will adopt Decision on the Manner and Procedure for Establishing and Implementation of the Programmes for Money Laundering Prevention by the banks. This bylaw shall include the recommendations of the special Committee of the Council of Europe contained in the Report on harmonisation with the FATF recommendations, adopted in July 2008.

The list of countries that fulfil the requirements for prevention of money laundering and terrorist financing will be additionally established.

On the basis of recommendations provided in the third evaluation of MONEYVAL Committee, as well as on the basis of the gaps established in the practical use, the following amendments to the national regulation on prevention of money laundering and terrorist financing have been planned:

- *Criminal Code of the Republic of Macedonia* (redefining certain definitions, amendment to Article 273 –Money Laundering and 394(c) –Terrorist Financing, confiscation, and etc.
- *Law on Criminal Procedure* (revision of the measures for securing property which is to be confiscated, revision of the evidence, and etc.)
- *Law on Prevention of Money Laundering and Terrorist Financing* (specifying definitions, client identification, provisions for supervision, revision of measures and actions, misdemeanour provisions, and etc.)

ADMINISTRATIVE CAPACITIES

Continuous training and educations of the employees in financial institutions for the control mechanisms in the systems for prevention of money laundering have been planned.

Furthermore, improvement of the system for electronic submission of data on cash transactions exceeding EUR 15,000 (individual and connected) is planned.

MEDIUM-TERM PRIORITIES

On medium-term, by the mid 2011, in accordance with the Strategy for Prevention of Money Laundering and Terrorist Financing during the period from 2009 – 2011, amendments are planned to:

- *Law on Foreign Exchange Operations* (projection of obligations in the part of measures and activities by the State Foreign Exchange Inspectorate and harmonisation of this Law with the provisions of the Law on prevention of Money Laundering and Terrorist Financing in the view of cooperation with the Directorate,

- *Law on Insurance Supervision* (extension of the competences for exercising control on the insurance sector for prevention of money laundering and terrorist financing, providing more severe penalties for violation of the provisions for prevention of money laundering and terrorist financing, and etc.)
- *Law on Fully Funded Pension Insurance* (extension of the competences for exercising control over the pension funds relating to money laundering and terrorist financing etc.),
- *Law on Securities* (extension of the competences of MSEC for exercising control over the securities market relating to prevention of money laundering and terrorist financing, and etc.),
- *Law on Associations of Citizens and Foundations* (providing more severe measures for protection of the sector of non-profit organisations from the use for the purpose of terrorist financing, establishing efficient mechanisms for control, and etc.),
- *Law on Games of Chance* (submitting a document for the origin of the initial capital, application of more rigorous measures for prevention of abuse for the purpose of money laundering, establishing efficient mechanisms for control, and etc.),
- *Law on the Public Revenue Office* (specifying the supervisory role in the part of money laundering and terrorist financing, cooperation with the Directorate, and etc.),
- *Law on the Bar* (providing more severe measures to be taken by the lawyers for prevention of money laundering and terrorist financing, strengthening the cooperation with the Directorate etc.),
- *Law on Notaries* (providing more severe measures to be taken by the notaries for prevention of money laundering and terrorist financing, specifying the supervisory role in the part of money laundering and terrorist financing, strengthening the cooperation with the Directorate etc.),

Within the Strategy for prevention of money laundering and terrorist financing, for the period from 2009 – 2011, strengthening of the international cooperation, participation at plenary sessions of EGMONT and MONEYVAL Committee and rising the public awareness on the necessity of taking measures for prevention of money laundering and terrorist financing is provided.

FOREIGN ASSISTANCE

The foreign assistance used within this area is mainly directed to strengthening of the administrative capacities (improving IT systems, as well as seminars and training on prevention of money laundering).

3.5 PUBLIC PROCUREMENT

3.5.1 GENERAL PRINCIPLES

CURRENT SITUATION

LEGAL FRAMEWORK

The basic legal framework in the field of Public Procurement is covered by the Law on Public Procurement ("Official Gazette of the Republic of Macedonia", No. 136/07) which entered into force on 1 January 2008. The following EU directives have been transposed in the Law on Public Procurement of the Republic of Macedonia: 32004L0018, 32004L0017, 31989L0665 and 31992L0013 and 32007L0066.

In order to enable full implementation of the Law on Public Procurement, 14 bylaws were adopted.⁷

The Rulebook on the manner of estimating the value of the public procurement contracts, the Decree on determining the services subject to the public procurement contracts and the Decree on determining the types of construction activities subject to the public procurement contract are partially harmonised with Directives 32004L0017 and 32004L0018, while the Decision on adoption of the Common Public Procurement Vocabulary has been completely harmonised with the EU Regulation 32008R0213.

The Law Amending the Law on Public Procurement ("Official Gazette of the Republic of Macedonia" No. 130/08) was adopted in October 2008. The Law Amending the Law on Public Procurement introduced several new novelties which brought a new quality in the Public Procurement System. They strengthen the position of the Public Procurement Bureau, and introduce a comprehensive and systemic training programme with a certification system. The Amendments to the Law are expected to increase the use of the electronic public procurement system that is already operational.

Furthermore, in order to provide uniform application of the Public Procurement legislation, the Bureau prepared a standard tender documentation for the procedure with a request for bids with and without publishing an announcement, as well as for an open and restricted procedure for procurement of goods.

INSTITUTIONAL FRAMEWORK

The organisational setup of the Bureau was changed by the new Rulebook on organisation and operation of the Ministry of Finance, so that at present there are two sectors as follows: Sector for Normative Activity and Promotion of the Public Procurement System and a Sector for Monitoring the Public Procurement System and the EPPS Management. The Bureau employs 12 persons, of which there are 4 graduate lawyers, 3 graduate economists, 1 graduate civil engineer, 1 graduate electrical engineer, 1 translator and 2 administrative workers.

Moreover, a new and improved version of the software for implementation of the new legal solutions for electronic public procurement and electronic auctions was developed, as well as software for publishing the announcements and notices.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

The following bylaws will be prepared and adopted during 2009 for the purpose of their harmonisation with the Common Public Procurement Vocabulary, which will apply from 1 January 2009, for the purpose of fulfilling the responsibilities deriving from the Law Amending the Law on Public Procurement: Decree Amending the Decree on the services subject to public procurement contracts, Decree Amending the Decree on the types of construction activities subject to the public procurement contract of goods, Decision Amending the Decision on establishing a list of Contracting Authorities and Educational Programme, the manner of conducting the exam, the amount of the fee, as well as the form and the contents of the certificate.

The Programme will enhance the capacity for implementation of the Law by the contracting authorities and economic operators.

⁷ Decision on Indicative List of Contracting Bodies, Decision on determination of the procurements of a defence and security character, Decree for defining the services subject to the public procurement contracts, Methodology of expressing the criteria for awarding the public procurement contract in weights, Rulebook for the manner of use of the Electronic Public Procurement System, Rulebook on the form and contents of the Public Procurement Annual Plan, Rulebook on the manner of evaluating the value of the Public procurement contracts, Rulebook on the contents of the tender documentation, Decision on adoption of the Common Vocabulary for Public Procurement, Rulebook on the form and the contents of the announcements and notices at awarding the public procurement contracts, Rulebook on the form and contents of the announcement, the notice for annulment of the procedure and the form for recording the procedures by request for receiving of bids, Rulebook on the procedure for opening of the bids and the form for taking minutes for the opening of the bids, Rulebook on the form and contents of the form of the report for the conducted open procedure, restricted procedure, negotiation procedure and the procedure with a competitive dialogue, and the Decree on defining the types of building activities subject to the works public procurement contract.

For the purpose of providing uniform application of the public procurement regulation, the development of standard tender documentation for the remaining procedures of the Law will proceed during 2009, along with monitoring of the public procurement system with suggestions for its promotion. Standard tender documentation for an open procedure in written form and standard tender documentation for an open invitation through PPES will be developed in 2009.

INSTITUTIONAL FRAMEWORK

The legal status of the Public Procurement Bureau will be modified in 2009, i.e. it will obtain the status of a body within the Ministry of Finance with a capacity of legal person.

The staffing of the Public Procurement Bureau is envisaged to continue in 2009, with appropriately qualified staff for performance of the activities at the level of European standards with new employees. In addition, the Public Procurement Bureau will move into other more appropriate premises in order to improve the working conditions and for the purpose of efficient performance of the increased responsibilities.

The training of the staff employed with the Public Procurement Bureau is a continuous activity which will include both the existing and the newly employed staff. This training will be conducted through participation on seminars, workshops and exchange of experience with foreign experts, the Bureau has had cooperation with.

During 2009, the Public Procurement Bureau will continue the cooperation with the institutions authorised for monitoring of the Public Procurement Systems in the Southwest Balkans in order to achieve exchange of experiences regarding the EU Integration Process.

MEDIUM-TERM PRIORITIES

The Bureau will also develop a Strategy for Development of the Public Procurement System in order to strengthen the capacity and the Public Procurement System for the purpose of complete harmonisation with the *acquis*.

INSTITUTIONAL FRAMEWORK

The capacity of the Public Procurement Bureau will be strengthened by employment of new persons in 2010 and 2011 respectively.

Both electronic systems, i.e. the Electronic Public Procurement System and the Web-information System for announcements and notices, managed by the Public Procurement Bureau, will be integrated into a single user application. The integration of the national legal framework for public procurement with the appropriate directives and other relevant EU regulations will continue.

3.5.2 AWARDING PUBLIC CONTRACTS

CURRENT SITUATION

The capacities of the contracting authorities and the economic operators are strengthened by means of training of the persons who participate in the planning and implementation process for awarding public procurement contracts, in order to achieve correct application of the public procurement legislation.

During the past period the Bureau has organised and conducted approximately 25 training sessions for the contracting authorities and the economic operators, as follows: 6 training sessions on the "Manner of filling in the announcement and notice forms", 11 training sessions on the "Procedures and manner of carrying out the public procurement" in cooperation with other entities, 4 training sessions on the electronic public procurement and electronic auctions for the contracting authorities and 2 training sessions on the electronic public procurement and electronic auctions for the economic operators.

Several guidelines and manuals have been prepared and issued in order to facilitate the implementation of the Public Procurement Law, as well as of the use of the EPPS.

The established cooperation with both the State Audit Office and the Commission for Public Procurement Complaints continued in the course of 2008. Namely, during the past period, all of the opinions prepared by the Bureau regarding the implementation of the Law on Public Procurement were submitted to the State Audit Office. Furthermore, the Bureau published the decisions submitted by the Commission for Public Procurement Complaints. Cooperation with the Commission for Protection of Competition was also established by means of exchange of information and preparation and submission of expert opinions.

SHORT-TERM PRIORITIES

In addition, the Bureau will prepare an electronic bulletin at the beginning of 2009.

Three manuals on implementation of certain parts of the Law on Public Procurement will be issued in cooperation with SIGMA.

To that end, during 2009, activities on strengthening the capacity of the contracting authorities will be taken by conducting at least 8 training sessions, 3 of which for the "Use of the Electronic Public Procurement System", 2 training sessions for application of PPOP, 2 training sessions on the Law implementation planned for contracting authorities, and one training sessions for economic operators. A Programme on Education, the manner of conducting the exam, the amount of the fees and the form and content of the certificate will be developed, along with materials and modules for training of the trainers and the end users, in accordance with the amendments to the Law.

Two manuals for public procurement will be prepared, i.e. "Guidebook on the Framework Agreements" and "Guidebook on the public procurement of non-priority services".

Two training sessions will be held in cooperation with SIGMA: "Workshop on the Framework Agreements" and "Seminar on Electronic Public Procurement".

The cooperation with the state authorities, such as the State Audit Office, the State Commission for Prevention of Corruption, the Commission for Protection of Competition and the State Commission for Public Procurement Complaints will continue and will intensify over this period.

In addition, two training sessions will be held in cooperation with the non-governmental sector on the topic "For the procedures and manner of implementation of the public procurement".

MEDIUM-TERM PRIORITIES

The Programme for education and training will be implemented on the medium-term. At least 3 training sessions on the use of the integrated system for electronic public procurement will be realised.

FOREIGN SUPPORT

The successful cooperation with SIGMA, USAID and GTZ continued over 2008. Namely, two seminars relating to the new Law on Public Procurement were organised together with SIGMA. Several seminars on the application of the Law on Public Procurement were held in cooperation with, and supported by the USAID Business Environment Project. The Bureau also cooperates with the USAID E-government Project regarding the training on the use of the EPPS and development of the system.

The Public Procurement Bureau is an active participant in the ELECTRAWEB Project, financed by the European Commission through the FP6 Programme for Research and Development. This project is regional for the Western Balkan countries and its goal is to build and test an Electronic Procurement Application as well as to lay down Forms and rules for its support.

CONCESSIONS AND OTHER TYPES OF PUBLIC – PRIVATE PARTNERSHIP

CURRENT SITUATION

The Law on Concessions and other Types of Public-Private Partnership ("Official Gazette of the Republic of Macedonia" No. 7/08) regulates the conditions, the manner and the procedure of granting concession, the contents of the concession contract, the rights and obligations of the contracting authority and concessionaires, the legal protection in the procedure for granting concession, the manner and procedure for awarding contracts for other types of public-private partnership, the contents of the contract for public-private partnership, the rights and obligations of the public and private partners and the legal protection in the procedure of awarding public-private partnership contracts.

A new Unit for Concessions and Public-Private Partnership is envisaged in the Ministry of Economy, in accordance with the 2008 systematisation.

SHORT-TERM PRIORITIES

During 2009, SIGMA is going to conduct an analysis of the Law on Concessions and other Types of Public-Private Partnership. The Law Amending the Law on Concessions and other Types of Public-Private Partnership will be adopted based on the audit.

During 2009, the Unit for Concessions and Public-Private Partnership will employ the necessary staff and technical equipment.

MEDIUM-TERM PRIORITIES

In the medium-term, training, education and exchange of experiences are planned for the employees in the Unit for Concessions and PPP.

Medium-term priorities are the organisation of several seminars, workshops and training of the members of the commissions for implementation of the procedures for granting concessions in the state administrative bodies, the local self-government units, the

City of Skopje, the public enterprises, as well as other economic operators regarding the concessions contracts and the legal remedies.

The Unit for Concessions and Public-Private Partnership will employ new staff, according to its needs for regular execution of the legal competences.

3.5.3 LEGAL REMEDIES

CURRENT SITUATION

LEGAL FRAMEWORK

With regard to the legal protection in the procedures for awarding public procurement contracts, the following European Union Directives have been transposed in the Law on Public Procurement of Republic of Macedonia: 31989L0665, 31992L0013 and 32007L066.

The State Commission for Public Procurement Complaints is established by the Law, as an autonomous state authority with a capacity of legal person. The State Commission consists of a president and four members appointed by the Assembly of the Republic of Macedonia. They execute their functions in a professional manner. The Rules of Procedure of the State Commission for Public Procurement Complaints has been developed laying down the manner of work and acting under the complaints in the procedures for awarding of public procurement contracts in compliance with the Law.

INSTITUTIONAL FRAMEWORK

A quality step forward was made by the new legal solutions in the regulation of legal protection in the procedures for awarding public procurement contracts. Namely, the establishing of the State Commission for Public Procurement Complaints legally provided a basis for prompt and efficient legal protection in the procedures for awarding public procurement contracts. The competences of the State Commission include decision-making on the legitimacy of the actions and failure to take actions as well as on the legitimacy of the decisions made in the procedures for awarding a public procurement contract.

SHORT-TERM PRIORITIES

INSTITUTIONAL FRAMEWORK

Training on the new system of legal protection, prescribed by the Law on Public Procurement, will be realised for the contracting authorities and the economic operators. At least two training sessions on the topic "Legal Remedies in the Public Procurement Procedures" will be held for the contracting authorities and economic operators in 2009.

The cooperation with the State Commission for Public Procurement Complaints will be established and enhanced. Having regard to the fact that the State Commission was established on 4 November 2009, it will be supported during its initial operation stage as well as in the development of its web site. This is for the purpose of a successful implementation of the prescribed system of legal protection by the law.

Due to the need for provision of working conditions for the State Commission for Public Procurement Complaints and its administrative expert service, in accordance with the new standards, appropriate working offices will be provided for its accommodation in 2009.

Aimed at detailed introduction of the State Commission for Public Procurement Complaints with the aspects of the national legal framework for public procurement as well as with the relevant directives and practices in the EU, and taking into consideration its recent establishment, 2 training sessions will be held for the members of the State Commission for Public Procurement Complaints.

In addition, during 2009, new administrative staff will be employed for the purpose of enhancing the administrative capacity of the expert service of the State Commission for Public Procurement Complaints for processing of the complaint cases. The expert service of the State Commission for Public Procurement Complaints will be established and staffed.

A web-site of the State Commission for Public Procurement Complaints will be developed in order to enable access to the system for legal protection to the interested economic operators considering that their rights have been violated in certain procedures for awarding public procurement contracts, as well as making the activities of the State Commission publicly available.

MEDIUM-TERM PRIORITIES

The news on the legal protection in the EU will be monitored and implemented in the national regulations. The further improvement of the legal protection will be a middle-term priority. The training in this field will continue in cooperation with the State Commission for Public Procurement Complaints.

3.6 COMPANY LAW

3.6.1 COMPANY LAW

CURRENT SITUATION

LEGAL FRAMEWORK

The Law Amending the Company Law ("Official Gazette of the Republic of Macedonia" No 87/08) is harmonised with Article 29 of the Directive 31977L0091 regarding the right to primacy to any new share emission of the shareholders; a legal basis was introduced for bylaw regulation of electronic submission of annual accounts, harmonisation of the principles of corporate management of OECD was finalised; and legal basis for organisation of electronic submission of annual accounts was created. This Law and the Law Amending the Law on One-stop-shop System and the Maintenance of the Trade Register and the Register of other Legal Persons ("Official Gazette of the Republic of Macedonia" No. 140/08) were harmonised with the Directive 32003L0058 in the part for enabling entry, receipt and distribution of data from and to the Trade Register only in electronic form. The Law on One-stop-shop System established a new procedure for generating tax number by the Central Register instead of the Public Revenue Office, as practiced so far.

INSTITUTIONAL FRAMEWORK

The Ministry of Economy is in charge of the field of company law; the Sector for European Integration in cooperation with the Sector for Legal Affairs monitors the implementation and promotion of the legal framework for the Companies; a cooperation with the Central Register has been established for coordination and monitoring of the One-stop-shop System functioning and the functioning of other institutions and authorities involved in the implementation (the Public Revenue Office, the banks, Central Securities Depository, Macedonian Securities Stock Exchange, Securities and Exchange Commission and other competent (inspection) authorities. The registration of companies in the central register can be performed in 28 regional offices. The Central Register employs a total of 300 persons. The Project on establishing Electronic System for submission of annual accounts to the Central Register of the Republic of Macedonia was realised in May 2008.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

In 2009, Action Plan will be prepared in order to finalise the harmonisation of company law with that of the EU. In accordance with the Action Plan, the company law will be harmonised with a number of EU Directives and Regulations. Law Amending the Company Law will be adopted and harmonised with Directive 32007L0036 – on the exercise of certain rights of shareholders in listed companies, Directive 32003L0058 and Directive 31977L0091. In addition, Law Amending the Company Law will be adopted and harmonised with Directive 32005L0056 on cross-border mergers of limited liability companies, Directive 32001L0086 with regard to the involvement of employees in the European company management, Directive 32006L0068 and Regulative 32001R2157 on the Statute for a European company. (For the Securities and Exchange Commission activities see 3.09 Financial Services.)

INSTITUTIONAL FRAMEWORK

Companies

In 2009, the members of the Working Group for Chapter 6 – Company Law, will attend seminars and conferences on regulatory reform and trained on evaluation of the regulatory impact assessment in the operation of the companies.

One-stop-shop System

Networking between the Central Register and the European Business Register will be established for the purpose of data exchange. Projects for realisation of the second phase of the development of the One-stop-shop System will be implemented in 2009: development of electronic system for registration of companies and other legal persons; electronic system for registration of all phases of bankruptcy and liquidation, and for a black list of managers; integration of the databases of the Employment Agency, Pension and Disability Insurance Fund and Health Insurance Fund into the One-stop-shop System; installation of a security and protection system for the CRM databases; preparation of Strategy for standardisation of the electronic exchange of financial and business information and data in the Republic of Macedonia; and preparation of a Study for a metabase of legal entities in the Republic of Macedonia. These projects will enable a complete implementation of Directive 2003L0058 regarding the receipt and distribution of data from and into the Trade Register and the Register for other Legal Persons in electronic form through the One-stop-shop System.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

In 2010, Law Amending the Company Law will be adopted and harmonised with Recommendation [32005H0162](#) regarding the responsibility of the non-executive directors, i.e. the members of Supervisory Board in listed companies and Recommendation

32004H0913 on fostering an appropriate regime on the remuneration of the directors in listed companies for the purpose of improving the corporate management. (For the Securities and Exchange Commission activities see 3.09 Financial Services.)

INSTITUTIONAL FRAMEWORK

The Central Register of the Republic of Macedonia will continuously participate in initiatives, regional projects and other forms of cooperation with the other members within the European Business Register.

3.6.2 ACCOUNTING AND AUDIT

CURRENT SITUATION

LEGAL FRAMEWORK

In the part of *accounting*, according to the Company Law ("Official Gazette of the Republic of Macedonia" No. 87/08), a Rulebook on the manner and conditions for electronic submission of the annual account was adopted (Official Gazette of the Republic of Macedonia No. 9/09).

In the part of *audit*, the Law on Audit is the basic framework for regulation of this area (Official Gazette of the Republic of Macedonia No. 79/2005) harmonised with Directive 32006L0043. The legal framework in this area has been improved by the Law Amending the Law on Audit ("Official Gazette of the Republic of Macedonia" No. 103/08) for the purpose of harmonisation with the Law on Misdemeanours (Official Gazette of the Republic of Macedonia No 62/06).

INSTITUTIONAL FRAMEWORK

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

The Audit Promotion and Supervision Council ("Official Gazette of the Republic of Macedonia" No 109/05) is competent for promotion of audit, promotion of adhering to high professional standards, application of the Law; monitoring of the procedure for obtaining the title of certified auditor, the work of the members of Institute of Certified Auditors; provision of opinions and monitoring of the application of the ICA general acts.

In 2008, the Council organised two workshops "Financial Reporting and Audit" (situations and issues)" and "Improving the regulation and quality of the corporate financial reporting, accounting and audit", in accordance with the Rules of Procedure and as a part of its activities. The Council had a meeting with the UK Institute of Certified Auditors, where the possibility for further cooperation between both of the associations was considered.

The Institute of Certified Auditors (professional association of certified auditors as chamber organisation) is self-financed by membership fees of the certified auditors and audit houses. Currently 31 audit companies are operational, 24 of which are audit companies and 7 sole proprietors. At present, there are a total of 188 certified auditors, 183 of which are members of ICARM. In 2008, ICA issued 2 new auditing licences to two audit companies – sole proprietors. ICA communicates with IFAC and CEEPAD for the purpose of accession in the regional and global professional organisations. ICA participates in and works on the implementation of a National Strategy and the Action Plan for reforms in the accounting and institutional strengthening (NSAPRAIS).

The Commission for Accounting Standards within ICA, is competent for monitoring, harmonisation and application of the International Accounting Standards and the International Standards for Financial Reporting (IAS/ISFR).

The Steering Committee for Accounting Reform and Institutional Strengthening (BCRAIS) implements and monitors the reforms in the accounting and audit incorporated in the National Strategy and Action Plan.

FOREIGN ASSISTANCE

So far, the Republic of Macedonia has benefited from a number of programmes for technical assistance to the development of the capacities of the accounting and audit profession, mostly funded by the USAID and World Bank. The Grant Agreement amounting to 4.55 million euro was realised as follows: a grant from the Dutch Government amounting to 3,7 million euro and 850 thousand euro from the Austrian Agency for Implementation of (NSAPRAIS), and the Republic of Macedonia co-financed up to 10% of the total value of the activities contained in the National Strategy and the Action Plan (EUR 730,000). *The Project Unit*, with two employees endeavours for the requests submitted for the procurements relating to implementation of the activities provided for in NSRAA.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

With regard to *accounting*, analysis of the need to amend the Company Law will be carried out. By the end of 2009, the Commission for International Accounting Standards, within the Institute of Certified Auditors, will provide translation of the IAS/ISFR as well as interpretations for 2006.

With regard to *audit*, ICA will adopt Programme for taking the exam for obtaining the title of certified auditor in 2009, Rulebook for the manner and the procedure of taking the exam for a certified auditor as well as creating a database of questions that will be used for the current and future ICARM exams. The first pilot exam will be carried out in March 2009, while the first exam for obtaining the title of certified auditor will be conducted by the end of June 2009. A Programme for a continuous and professional education will be adopted in the first half of 2009. The Institute will adopt the Rulebook for audit quality control by the end of 2009, according to which a control over the quality of its members' operation will be conducted, through the Commission for Audit Quality Control and the Rulebook on disciplinary and ethical procedures.

INSTITUTIONAL FRAMEWORK

Considering the fact that the Sector for Financial System is in charge of the Audit System, for the purpose of strengthening the efficiency, it will assume new employments in the Unit for Accounting System, Payment Operations and Audit. (for the employments see Chapter 9. Financial Services)

The Commission for Accounting Standards, within the Institute of the Certified Auditors, will monitor harmonisation and the application of IAS/ISFR. The Commission for International Audit Standards will prepare the procedures to facilitate updated translation of the International Audit Standards and other standards published by the International Audit Standards Board. Funds for the Audit Promotion and Supervision Council for 2009 were provided from the Budget of the Republic of Macedonia.

The capacity of the Institute of Certified Auditors will be strengthened with new employments in 2009, as well as that of the largest regulatory institutions (Securities and Exchange Commission, Public Revenue Office, National Bank of the Republic of Macedonia, Insurance Supervision, Agency for Supervision of Fully Funded Pension Insurance (ASFFPI), Central Register, and etc.) that monitor the application of IAS(ISFR) and the other accounting standards, i.e. they fully and timely make public the financial data prepared in line with IAS(ISFR). The Institute of Certified Auditors will continue the procedure for obtaining a status of associative member as well as for membership in the regional and global professional organisations SSEPAD and IFAC.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

In the part of *accounting* the legal framework will be harmonised with the European Union legislation *in the part* of financial reporting. The Commission for International Accounting Standards within the Institute of Certified Auditors will provide translation of the ISFR for the private legal entities which will be published by the Board of International Accounting Standards.

With regard to *audit*, the Law on Audit will be amended in 2010, for the purpose of completing the harmonisation with Directive 32006L0043 in the part of the competences which are still at the Ministry of Finance, while by amending the Law the competences will be transferred to the Institute of Certified Auditors of the Republic of Macedonia, and a part thereof will be transferred to the Audit Promotion and Supervision Council.

In accordance with the National Strategy and the Action Plan for Reforms in Accounting and Institutional Strengthening, the Audit Promotion and Supervision Council will transform into a professional auditing body – Secretariat.

INSTITUTIONAL FRAMEWORK

The National Strategy and the Action Plan for Reforms in Accounting and Audit are also foreseen to be implemented in the next years. The Ministry of Finance in accordance with the Law on Audit will be authority competent for monitoring the implementation of the provisions from the Law. For the purpose of better efficiency, there will be new employments in the Unit of Accounting System, Payment Operation and Audit (for the employments see Chapter 9 - Financial Services).

The Audit Promotion and Supervision Council and the Institute of Certified Auditors will execute the activities within their competences regulated by law. The funds for Audit Promotion and Supervision Council in the medium-term period are anticipated from the Budget of the Republic of Macedonia.

3.7 INTELLECTUAL PROPERTY LAW

3.7.1 COPYRIGHT AND RELATED RIGHTS

CURRENT SITUATION

LEGAL FRAMEWORK

The legal framework in relation with copyright and related rights have been improved by the Law Amending the Criminal Code ("Official Gazette of the Republic of Macedonia" No 07/08), which provides for new criminal acts as follows: violation of the right of the encrypted satellite signal broadcaster, violation of the right of film producer and the broadcaster of an audio-visual work, and violation of the right of the phonogram producers. The maximum imprisonment sanction for the existing crime in Article 157 has been increased due to dissuasive effect of the penalties.

In 2008, an Expert Working Group drafted a new Law on Copyright and Related Rights (LCRR). The new Law will transpose Directive 32004L0048 on the enforcement of the intellectual property rights.

In order to improve the implementation of the Law on Copyright and Related Rights with regard to the collective associations, the Government of the Republic of Macedonia adopted the Decision on the amount of the total fee for reproduction of an author's work for private usage ("Official Gazette of the Republic of Macedonia" No 25/08).

INSTITUTIONAL FRAMEWORK

In the Sector for Copyright and Related Rights the number of employees is three civil servants. .

The Commission for Intermediation in Copyright and Related rights ("Official Gazette of the Republic of Macedonia" No 88/05) held several meetings to decide on procedures of acts for use and distribution of fees for related rights – on phonograms and recorded performances.

By the end of 2008 in Skopje, and through TAIEX an expert mission was realised for analyses of the working text of the new Law on Copyrights and Related Rights in view of the degree of harmonisation with Directive 32004L0048.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

In 2009 a new Law on Copyright and Related Rights will be adopted. The new Law will transpose Directive Celex No 32004L0048 on the enforcement of the intellectual property rights, and it will be harmonised with the laws in the judiciary area and will offer more efficient and appropriate solutions in the part of the collective associations.

The Ministry of Culture will participate in the preparation of the National Strategy for Intellectual Property and the Action Plan for 2009.

INSTITUTIONAL FRAMEWORK

The capacities of the Sector for Copyright and Related Rights will be strengthened with new employees.

The support for the existing collective association and for establishing new collective management associations will continue.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

The EU legislation of the legislation of other international associations will be followed, and the harmonisation of the national legislation will continue.

Further amendments to the Criminal Code will be initiated in the area of violation of the copyright and related rights for the need of instigation of procedure for violation of the moral rights as exclusive to their holders and the criminal responsibility of the persons in charge in the legal entities will increase.

INSTITUTIONAL FRAMEWORK

The Sector for Copyrights and Related Rights will be strengthened in medium-term to 2011, by sufficient number of trained and skilled civil servants.

The support to the existing collective associations will continue in accordance with the competencies of the Ministry of Culture. Training, seminars and workshops for the staff at the Sector for Copyrights and Related Rights will be held for the purpose of a specialised and practical training, and other activities will be conducted for their professional training and improvement.

3.7.2 INDUSTRIAL PROPERTY RIGHTS

CURRENT SITUATION

LEGAL FRAMEWORK

A new Law on Industrial Property has been drafted in the course of 2008. The Law is harmonised with Directive 32004L0048 on the enforcement of the intellectual property rights as well as with Regulative 32006R0816 of the European Parliament and of the European Union Council on compulsory licensing of patents relating to the manufacture of pharmaceutical products for export to countries with public health problems.

The Law on Ratification of the European Patent Convention (EPC) have been adopted ("Official Gazette of the Republic of Macedonia"126/08), due to which the Republic of Macedonia will become a full member of the European Patent Organisation (EPO) as of 1 January 2009.

Upon acceptance of the Law by the Council of UPOV, the Law on Breeder's Rights is in parliamentary procedure, which will be followed by an accession procedure i.e. full UPOV membership.

INSTITUTIONAL FRAMEWORK

The State Office of Industrial Property (SOIP), an independent self-financing state administrative body, is in charge of implementation of the Law on Industrial Property and the Law on Protection of Topographies of Integral Circuits. The total number of employees in SOIP (in 4 sectors and 8 units) is 33 civil servants.

The employees at the office attended trainings within TAIEX, as well as national and regional seminars, study visits in Romania, Czech Republic, PR of China and they also participated in other activities in cooperation with the World Organisation of Intellectual Property, (WIPO), EPO and accomplished bilateral cooperation with the offices in other countries.

The Office monitored and participated in the work at the meetings of the committees, the WIPO General Assembly and the EPO Administrative Council.

Within the activities for raising the public awareness, SOIP was a co-organiser of several workshops, one pharmaceutical industry conference, it organised lectures for the secondary school students, participated in a domestic fair and on an international exhibition, and organised two manifestations where awards were granted for stimulation and affirmation of innovation.

The Office also coordinated the activities of all institutions involved in the implementation of protection of the Law on industrial property as well as trainings for the agents in the field of the industrial property in the process of accession in the European Patent Organisation. A Memorandum for Cooperation was signed with the Office for Patents and Trademarks of the Republic of Romania as well as a Protocol for Cooperation with the Office for Industrial Property of the Czech Republic.

The Office participated in the training of judges and public prosecutors within the Programme for Continuous Professional Improvement of judges and public prosecutors at the Academy for Training of Judges and Prosecutors. The number of applications for protection of industrial property rights, especially the number of applications for trademarks, increased for over 30%.

SHORT-TERM PRIORITIES LEGAL FRAMEWORK

In 2009, the Law on Industrial Property will be adopted, to harmonise with Directive 32004L0048 on the enforcement of the intellectual property rights, as well as with Regulative 32006R0816, thus creating a platform for joining the Protocol Amending the TRIPS Agreement, relating to compulsory licensing for the public health needs. The Law will ensure harmonisation with the International Treaties of the World Organisation for Intellectual Property (WIPO) such as Patent Law Treaty and Trademark Law Treaty, which will simplify the procedure for protection of the industrial property rights and benefits for the beneficiaries, will be introduced. The bylaws will be adopted within six months after the adoption of the Law on Industrial Property.

The Law on Ratification of the International Convention for Protection of New Varieties of Plants – UPOV Convention, will be adopted in 2009. The following will be ratified: Vienna Agreement Establishing an International Classification of the Figurative Elements of Marks, Patent Law Treaty and the Trademark Law Treaty. The Lisbon Agreement for the Protection of Appellations of Origin and their International Registration will be ratified in 2009. Amendments to European directives will be continuously followed.

INSTITUTIONAL FRAMEWORK

In order to strengthen the capacity of SOIP new employments are anticipated in 2009 as well as continuous professional improvement of the existing ones. The training of the employees within SOIP as well as of the other subjects involved in the Protection System will be realised through national and regional seminars, study visits and other activities in the framework of the

cooperation with WIPO and EPO and other bilateral cooperation. Continuous cooperation with the other participants in the Industrial Property Rights Protection System will be provided through access to the SOIP website database.

To the end of strengthening the public awareness on the significance of the industrial property, the Office will conduct several activities. In 2009, a media campaign will be promoted in numerous towns in the Republic of Macedonia in order to raise the public awareness on the consumers' rights arising from the Law on Industrial Property. The campaign will be conducted by the Ministry of Economy in cooperation with the Consumer Organisation of the Republic of Macedonia, Chambers of Commerce, State Market Inspectorate and State Office of Industrial Property.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

The Agreement on the application of Article 65 of EPC – London Agreement will be ratified in 2010. The amendments to European directives and international agreements will be continuously followed.

INSTITUTIONAL FRAMEWORK

In 2010 and 2011, new employments will be accomplished the Office for Industrial Property. Simultaneously, the level of the technical equipment will be maintained, the employees at the Office and other subjects involve in the Intellectual Property Rights Protection System will be trained.

FOREIGN ASSISTANCE

The realisation of the IPA Regional Project for Intellectual Property will commence in 2009.

3.7.3 IMPLEMENTATION

LEGAL FRAMEWORK

CURRENT SITUATION

In 2008 activities for preparation of the National Strategy for Intellectual Property were conducted. The first draft version of the National Strategy has been prepared. The experiences of the Republic of Romania, Republic of Croatia, as well as from both of the seminars on that subject organised by WIPO were taken into account during the preparation. Experts from Romania, who participated in the preparation of the National Strategy of Romania, provided opinions on the first draft of the Strategy, focused on the efficiency in the system for implementation of the protection of intellectual property rights. Crucial material for preparation of the National Strategy together with a review of the current situation and measures and activities for achieving the planned goals was submitted by every institution concerned. USAID – Business Environment Project provided technical support for a study visit of Macedonian representatives to Romania as well as for a visit of Romanian experts to Macedonia for the purpose of providing opinion on the Strategy.

The Law Amending the Criminal Code was adopted ("Official Gazette of the Republic of Macedonia" No 07/08), which introduces provisions for protection of three new criminal acts.⁸

INSTITUTIONAL FRAMEWORK

Several sectors within the Ministry of Justice, by means of acts for internal organisation and systematisation, are in charge of the area on the intellectual property. Three executors - civil servants have been distributed at working posts covering the area of intellectual property.

The Administrative Court of the Republic of Macedonia began to operate in January 2008. It consists of six councils comprising three judges each, several of whom are specialised to act on this matter.

Thirteen (13) inspectors from the Unit for Fight against Money Laundering and Organised Economic Crime on central level, and twenty six (26) inspectors from eight Sectors for Internal Affairs within the Ministry of Interior are competent for the protection of the intellectual property, and in addition to other tasks, they perform activities and tasks in the area of the intellectual property.

A project for procurement of computer and other equipment for the State Market Inspectorate (SMI) was realised through the European Agency for Reconstruction, thus strengthening the SMI capacities for the purpose of more efficient implementation of the protection of intellectual property rights.

⁸ Violation of the right of the encrypted satellite signal broadcaster; Violation of the right of film producer and the broadcaster of an audio-visual work, and violation of the right of the phonogram producers..The maximum imprisonment sanction for the existing crime in Article 157 has been increased in order for the penalties to have dissuasive impact.

For the purpose of improving the institutional capacities two study visits to the Republic of Romania and Czech Republic were organised by all of the institutions involved in the implementation of the protection of intellectual property rights. One TAIEX seminar was held for implementation intellectual property rights as well as 6 national seminars, 3 workshops for the representatives of the institutions involved in the implementation of the intellectual property rights.

The Centre for Education of Intellectual Property within the faculty of Law "Iustinianus Primus" in Skopje (CIPE) became a part of the global network of academies developed by WIPO, as international training centres in the field of intellectual property.

In accordance with the Programme for continuous professional training of judges and public prosecutors for 2007-2009 at the Academy for Training of Judges and Prosecutors, during 2008 a specialised training was conducted at the Academy by provision of 6 seminars with a total of 61 participants, of which 42 judges, 17 public prosecutors, 1 expert associate and 1 expert civil servant.

A campaign on raising the public awareness, on the significance of the intellectual property rights and the harmful impacts of forgeries was realised. The campaign was financially supported by the Dutch Embassy.

Main carrier of the activities relating to the fight against forgeries and pirated items as well as of the taken coordination activities was the Coordinative Body for Intellectual Property (CBIP). CBIP regularly submits information to the Government of the Republic of Macedonia, generally fortnightly, and makes it public through electronic and printed media. The information on the CBIP activities is published on the SOIP website. Two public actions, in the presence of the highest representatives of the Government of the Republic of Macedonia, for destroying of the confiscated items that violate the intellectual property rights, were conducted after the completion of court proceedings.

In addition to the CBIP activities, the State Market Inspectorate, the Ministry of Interior and the Customs Administration in continuity conduct certain activities within their legally established competencies.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

In 2009, a National Strategy for Intellectual Property will be adopted as an overall document for further development of the intellectual property as well as Action Plan for implementation of the Strategy. Representatives of all institutions involved in the implementation of the protection of the intellectual property rights participated in the preparation of this document, and the economic sector is a significant stakeholder.

Law Amending the Criminal Code will be adopted in 2009 for the purpose of harmonisation with the Law on Industrial Property, precise detailing of the criminal acts in the field of industrial property and providing for severe criminal sanctions for violation of the industrial property rights.

In 2009, Law Amending the Law on Customs Measures for Protection of Intellectual Property Rights will be adopted in the part of withdrawal of the requests for taking customs actions due to failure in meeting the obligations by the holder of the right/agent as well as for the reimbursement of the expenses for storing and destroying the forgery goods by the goods importer.

INSTITUTIONAL FRAMEWORK

Building of the system for protection of rights will continue through realisation of the Programme of the Coordinative Body for Intellectual Property, thus increasing the efficiency in realisation of the rights.

SOIP website provides to the public more transparent access to the data on the submitted and recognised industrial property rights.

The Sector of Judiciary within the Ministry of Justice will employ executives who will partially cover this matter. (*For more details see Chapter 23, Judiciary and Fundamental Rights*).

The Unit for Fight Against Money Laundering and Organised Economic Crime within the Ministry of Interior will be staffed with new employments. Specialised training for the employees at the Bureau for Public Security – Central Police Services and the Department for Organised Crime will continue. (*For more details see Chapter 24, Justice, Freedom and Security*).

The Department for Non-Tariff Measures within the Customs Administration will be staffed with new employments in 2009. (*For more details see Chapter 29, Customs Union*). In addition, all of the customs terminals will be appropriately equipped for exchange of information. Customs officers will be continuously trained in identifying forgery and pirated items in accordance with the Programme of the Customs Administration.

The Agency for Support of Entrepreneurship of the Republic of Macedonia in cooperation with the State Office of Industrial Property, Ministry of Economy and Ministry of Culture will organise five regional presentations on the intellectual property in line with the 2009 Programme for development of the entrepreneurship, competitiveness and innovativeness of the small and medium-sized enterprises of the Ministry of Economy.

The training of the employees in the institutions involved in the system for enforcement of the protection will continue as well as the specialised training for judges and public prosecutors in the field of intellectual property, in accordance with the Programme for continuous professional training of judges and public prosecutors by the Academy for Training of Judges and Prosecutors (*For more details see Part 23 Judiciary and Fundamental Rights*).

The Centre for Education of Intellectual Property at the Faculty of Law "Iustinianus Primus" – Skopje will continue the training of the target groups involved in the implementation of the intellectual property rights.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

The international trends for implementation of the protection of intellectual property rights will be followed. Rulebook amending the Rulebook on application of the Law on Customs Measures for Protection of the Intellectual Property Rights will be adopted in 2010 ("Official Gazette of the Republic of Macedonia" No 58/2005). The amendments to the Rulebook will be made in the part of withdrawal of the requests for taking customs actions due to failure in meeting the obligations by the holder of the right/agent as well as for the reimbursement of the expenses for storing and destroying the forgery goods by the goods importer.

INSTITUTIONAL FRAMEWORK

A Methodology for Statistical Monitoring and Statistical Data Processing on the measures taken on the implementation of the protection of the intellectual property rights will be prepared and implemented by the Ministry of Justice, in cooperation with the State Office of Statistics, Ministry of Culture, Ministry of Interior, State Office of Industrial Property and State Market Inspectorate.

The IRIS system for exchange of statistical data between the institutions involved in the system of implementation of the intellectual property rights will be put in operation.

In addition, envisaged activities in the Ministry of Economy Programme for Consumer Protection for 2009-2010 on raising the awareness for protection of the consumers' rights, with reference to the use of pirated and forged products that violate the industrial property rights, copyrights and related rights, will be realised in 2010: "Printing of flyers, brochures and other promotional materials in the interest of consumers".

The technical and staff capacities will be continuously strengthened by means of new employments, procurement of the necessary technical equipment and continuous training of the subjects involved in the implementation of the intellectual property rights.

The training of the employees in the institutions involved in the system for implementation of the protection will continue as well as the specialised training for judges and public prosecutors in the field of intellectual property, in accordance with the Programme for continuous professional training of judges and public prosecutors by the Academy for Training of Judges and Prosecutors (*For more see Part 23 Judiciary and Fundamental Rights*).

The Centre for Education of Intellectual Property at the Faculty of Law "Iustinianus Primus" – Skopje will continue the training of the target groups involved in the implementation of the intellectual property rights.

FOREIGN ASSISTANCE

The Programme for cooperation with EPO anticipates realisation of the IPA Regional Project for Intellectual Property supported by EC, EPO, OHIM and WIPO, containing four components such as: 1. Further harmonisation of the national legislation with the EU Acquis; 2. Strengthening the capacities of the institutions involved in the system for protection of intellectual property; 3. Support to the implementation of the protection of the intellectual property rights; 4. Strengthening the sustainability of the institutions for intellectual property. The value of the Regional Project amounts to 2 million Euros. The Project will be executed within the period from November 2008-November 2010.

USAID Business Environment Project provides support to the preparation of the National Strategy.

The Centre for Education of Intellectual Property at the Faculty of Law "Iustinianus Primus" in Skopje (CIPE), within the TEMPUS Programme, will be carrier of the Project: "Regional Common Postgraduate Studies in Intellectual Property Rights", as separate specialised studies. The Project will be realised within the period from 2009-2012.

3.8 COMPETITION

3.8.1 ANTITRUST, INCLUDING MERGERS

CURRENT SITUATION

LEGAL FRAMEWORK

Basic act regulating the existing legal framework in the area of protection of competition in the Republic of Macedonia is the Law on Protection of Competition (Official Gazette of the Republic of Macedonia No. 04/05, 70/06 and 22/07). The Law is harmonised with the Treaty establishing the European Community (Articles 81, 82 and 86); and the EU measures 31962R0017, 32003R0001, 31971R2821, 32004R0139, 31997Y1209(01) and 52001XC1222(03).

During 2008 the following was adopted: Guidelines on evaluation of non-horizontal concentrations and Guidelines on the application of Article 7 paragraph (3) of the Law regarding Article 11 of the Law on Protection of Competition.

Four memorandums of cooperation were signed with the Agency for Electronic Communications, the Energy Regulatory Commission, the Broadcasting Council and the Public Procurement Bureau.

INSTITUTIONAL FRAMEWORK

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

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

SHORT-TERM PRIORITIES

In 2009, adoption of the following guidelines is envisaged on improvement of the application of the Law and the bylaws which are to be adopted by the CPC:

- Guidelines on the obligations undertaken before the Commission by the participants in the concentration pursuant to Article 20 and Article 22 of the Law.
- Amendment to the Criminal Code due to overcoming the problem regarding the overlapping of competencies between the CPC and the Public Prosecutor's Office. The proposed amendments will disable the criminal accountability of the legal and natural persons, thus providing the existence of only misdemeanour accountability.
- To the end of strengthening the administrative capacity of the Commission for Protection of Competition, new employments and trainings are envisaged for the employees in order to improve the implementation of the legal regulation on protection of competition;

MEDIUM-TERM PRIORITIES

The following is envisaged on medium term:

- Adoption of a Law Amending the Law on Protection of Competition or adoption of a new Law on Protection of Competition that would ensure enforceability of the decisions by the Commission and would further harmonise with the EU regulations 31987R3976 and 32006R1459, which regulate block exemptions granted to agreements in the field of air traffic, and
- further harmonisation of the national legislation with the *acquis* (by end-2010).

In addition, continual strengthening of the administrative capacities of the CPC is planned.

3.8.2 STATE AID

CURRENT SITUATION

LEGAL FRAMEWORK

The legislation for state aid covers the Law on State Aid (Official Gazette of the Republic of Macedonia, No. 24/03, 70/06 and 55/07), as well as the bylaws adopted on the basis of the Law.

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

INSTITUTIONAL FRAMEWORK

Pursuant to the Law Amending the Law on State Aid (Official Gazette of the Republic of Macedonia, No. 70/06 and 55/07) the competence for supervision and control of the state aid granted in the Republic of Macedonia was taken over by the Commission for Protection of Competition. Accordingly, the Sector for State Aid Control was established within the Commission for Protection of Competition. The Sector for State Aid Control consists of 5 (five) employees with higher education, while employment of 1 (one) person is in process.

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

SHORT-TERM PRIORITIES

Amendment to the Law on Technological Industrial Development Zones is envisaged in order to avoid possible interpretations of the application of the Law that will be contrary to the rules on state aid (recommendations from European Commission 2008 Progress Report on the Republic of Macedonia).

Strengthening of the administrative capacities is also envisaged, along with new employments within the Sector for State Aid Control within the CPC, as well as conducting trainings for the employees for efficient implementation of the Law on State Aid, especially in the part of research techniques and case handling. In addition, trainings for the state aid providers are envisaged.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

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

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

INSTITUTIONAL FRAMEWORK

The administrative capacities will be continuously strengthened through organisation of trainings for the CPC staff and other existing institutions within the framework of state aid policy. Moreover, activities for raising awareness of the governmental institutions and the business sector have been envisaged through organising seminars, trainings, campaigns, conferences and other events.

The improvement of the investigative procedures for granting state aid is expected to further improve the implementation of state aid legislation.

3.8.3 LIBERALISATION

This area is regulated in other chapters.

3.9 FINANCIAL SERVICES

3.9.1 BANKS AND FINANCIAL CONGLOMERATES

CURRENT SITUATION

The banking system in the Republic of Macedonia is comprised of 18 banks and 11 savings houses (statistics for 2008 or one savings house less in comparison to 2007). The savings houses still have a marginal role within the total banking system.

The financial institutions are dominant owners of the banks with a share of approximately 63% in the ownership structure regarding the ordinary shares. This share represents an increase of 2.2 percentage points for a period of only 6 months and is due to the acquisition of one bank by a foreign financial institution. Up to the end of the second quarter of 2008, 6 banks from the Republic of Macedonia operate as branch offices of foreign banks. 13 banks have been in dominant ownership of foreign shareholders. The share of assets of the banks in dominant ownership of foreign capital within the total assets of the banking system is less than 90%.

The credit risk is a dominant risk to which banks are exposed while operating. The quality of total credit risk exposure has improved, although signs of quality weakness can be noticed in certain segments of the credit portfolio.

The bank exposure to currency risk is mainly within the prescribed framework, while the exposure to other market risks is minimal. The trading portfolio of banks is minimal as it comprises mainly domestic state securities. The banks maintain satisfactory liquidity.

LEGAL FRAMEWORK

The new Law on Banks (Official Gazette of the Republic of Macedonia No 67/2007) provides promotion of the banking sector from many aspects, namely market liberalisation by enabling entry of foreign banks through branch offices, including banks from the EU, promotion of corporate governance of banks; extension of the number of measures that can be imposed by the NBRM on the banks; risk management; licensing through strengthening the bank shareholder criteria; strengthening the market discipline etc.

Within a period of 9 months after the adoption of the Law on Banks, the NBRM adopted brand new bylaws on banks (23 bylaws in total). The last FSAP mission from April 2008 has concluded the existence of a high level of harmonisation of the banking regulation with the 25 Basel Principles for Effective Banking Supervision.

In the course of 2008, several months activities by the NBRM were concluded on promotion of the Credit Register operating within the NBRM. Apart from creation of a relevant software application, an appropriate regulation framework was adopted on content of the Credit Register, as well as on the manner of data deliverance and use thereof. The upgraded Credit Register has applied from the third quarter of 2008.

The Law on Credit Bureau was adopted in mid-2008 (Official Gazette of the Republic of Macedonia No 81/2008) with the aim, through establishment of private a credit bureau (having at disposal a rich database of the obligations and regularity of their fulfilment by foreign legal entities and natural persons in the Republic of Macedonia) in order to enable increase of financial discipline regarding the settlement of obligations, safer and more efficient credit risk management by the financial institutions.

INSTITUTIONAL FRAMEWORK

Competent body for creation of the policies in the field of the banking sector and harmonisation of Macedonian legislation with the EU legislation is the Ministry of Finance, i.e. the Unit for Banking System within the Sector for Financial System.

The National Bank of the Republic of Macedonia is a regulatory and supervisory body of the banks. Within the framework of the activities relating to development of supervision, regular trainings are being conducted regarding the application of the supervisory procedures. In addition, in 2008, the National Bank of the Republic of Macedonia, published the second Financial Stability Report 2007 on the country.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

By end-2009, amendments to the Law on Banks are envisaged directed towards harmonisation with the Directive 2006/48/EC relating to the taking up and pursuit of activity of the credit institutions in the area of cross-border provision of services.

In the course of 2009, the segments from the New Capital Accord (Basel 2) are envisaged to be annexed to the legal framework, through amending the Decision on methodology for determining capital adequacy. Within this framework an analysis will be carried out of the manner by which the ratings of rating agencies can be used with the aim of determining capital adequacy.

In order to ensure a more precise application of the provisions of the Law on Banks, the NBRM will draft Procedures for implementing the assets and liabilities transfer plan from one bank to the administration of another bank, as well as Procedures for execution of the assets sales from one bank to another, thus providing greater uniformity and transparency in the implementation of these procedures.

By mid-2009 a new Law on Financial Conglomerates will be adopted for regulation of the rules on conducting additional supervision of the banks, insurance companies, reinsurance companies, brokerage companies and investment funds management companies when part of a financial conglomerate. Directive 32002L0087 on supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate will be transposed in the Law.

By mid-2009 the Ministry of Finance shall adopt a Rulebook on the form and content of the annual account for the banks and savings houses in which Directive 31986L0635 on annual and consolidated reports for the banks and other financial institutions will be transposed. Assistance from the TAfEX programme will be used in the process of drafting of this Rulebook that derives from the Law on Trade Companies.

INSTITUTIONAL FRAMEWORK

The administrative capacities of the NBRM and the Sector for Financial System within the Ministry of Finance shall be continuously strengthened in the following period through staff trainings, thus facilitating the implementation of the second pillar of Basel II.

In addition, the creation and establishment of an information document management system in the NBRM is envisaged.

MEDIUM-TERM PRIORITIES

The appropriate implementation of the New Capital Accord (Basel II) is envisaged in accordance with the situation within the banking sector and banking supervision.

There are no preconditions for prescribing and implementing the advanced approaches for determining the level of requested capital for covering the credit and operational risk such as Internal Ratings-based approaches and Advanced Measurement Approaches.

3.9.2 INSURANCE AND PROFESSIONAL PENSION INSURANCE

CURRENT SITUATION

LEGAL FRAMEWORK

The insurance market in the Republic of Macedonia comprises 12 insurance companies, 8 insurance brokerage companies and 5 insurance representative companies. 2 insurance undertakings perform life insurance activities, while the others perform non-life insurance activities. Insurance brokerage companies perform insurance brokerage activities within all classes of insurance. Insurance agents, as licensed entities on the insurance market in the Republic of Macedonia carry out activities related to insurance representation on behalf and for the account of the insurance companies.

Basic legal acts regulating the conditions and manner of carrying out insurance and insurance activities, supervision of the operation of insurance undertakings and insurance brokerage companies, manner and conditions of carrying out activities related to insurance representation are the following: Law on Insurance Supervision (Official Gazette of the Republic of Macedonia No. 27/02, 84/02, 98/02, 33/04, 79/07, 08/08 and 88/08), the Law on Compulsory Transport Insurance (Official Gazette of the Republic of Macedonia No. 88/05, 70/06 and 81/08), the Law on Obligations in the part pertaining to insurance contracts (Official Gazette of the Republic of Macedonia No. 18/01, 4/02 and 5/03) and the Company Law (Official Gazette of the Republic of Macedonia No. 28/04).

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, 101/05, 70/06, 153/07 and 88/08), the Law on Compulsory Fully Funded Pension Insurance (Official Gazette of the Republic of Macedonia No. 29/02, 85/03, 40/04, 113/05 and 29/07 and 88/08), the Law on Voluntary Fully Funded Pension Insurance (Official Gazette of the Republic of Macedonia No. 7/08) and bylaws related to the relevant area.

In the course of 2000, the basis of the reformed pension system as three-pillar pension system which is part of the social insurance is established in the Republic of Macedonia. The first pillar is represented by the national Pension and Disability Insurance Fund of

Macedonia, which operates on the basis of the pay-as-you-go principle. The second pillar comprises the compulsory fully funded pension insurance, while the third pillar comprises the voluntary fully funded pension insurance.

With the latest amendments to the Law on compulsory Fully Funded Pension Insurance, adopted in 2008, the legal provisions have been harmonised for introduction of the third pillar. Moreover, opening of the pension market for new pension companies is envisaged with these amendments, thus stimulating the entry of new investments, increasing competition, cost reduction and system promotion, as well as establishing a Misdemeanour Commission within ASFFPI, thus enabling MAPAS to run misdemeanour procedures and to pronounce misdemeanour sanctions.

The Law on Voluntary Fully Funded Pension Insurance was adopted in January 2008 (Official Gazette of the Republic of Macedonia No. 7/2008). For the purpose of operation of the third pillar, new acts were drafted and adopted or existing acts (about 50) on the operation of the second pillar and/or of the third pillar were harmonised. In addition, this Law will enable the voluntary pension funds to invest 50% of their assets to foreign issuers of securities.

INSTITUTIONAL FRAMEWORK

By the point of establishment of the Insurance Supervision Agency, the Sector for Financial System within the Ministry of Finance is the competent body for conducting supervision over the operations of the insurance companies and insurance brokerage companies in the Republic of Macedonia. The following units operate within the framework of the sector: Unit for Insurance System (2 employees), in charge of preparing the laws and bylaws in the field of insurance and licensing of insurance companies, insurance brokerage companies, insurance brokers and actuaries, and Unit for Insurance Supervision (3 employees), in charge of conducting on-site and off-site supervision over the operations of the insurance companies and insurance brokerage companies.

As regards the pension system, the Ministry of Labour and Social Policy is in charge of creating pension policy, the Pension and Disability Insurance Fund of Macedonia is in charge of conducting pension and disability insurance, including collection of contributions for both pillars and their distribution between the first and second pillar, while ASFFPI is in charge of regulating fully funded pension insurance and conducting supervision over the operations of the pension companies and pension funds. Establishment of ASFFPI is aimed at protection of the interests of the pension funds' members.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

In the area of insurance, it is envisaged within a period of one year from the day of initiating the operation of the Insurance Supervision Agency, all the bylaws arising from the Law on Insurance Supervision regulating certain issues related to risk management in insurance companies, financial and audit reports in insurance companies, procedures for obtaining licences and consent, as well as bylaws regulating the operations of the Agency to be adopted.

It is planned for the voluntary fully funded pension insurance and amendments to the compulsory fully funded pension insurance to start operating in the first quarter of 2009, through procedures for establishing new pension companies and approvals for management with compulsory and/or voluntary pension funds, thus followed by the process of their establishment, marketing, voluntary pension funds' membership, payment of contributions and investing funds from the voluntary pension funds, as well as in new compulsory pension funds and emergence of professional pension schemes within the framework of the third pillar. Moreover, by mid-2009, it is planned for the Law Amending the Law on Compulsory Fully Funded Pension Insurance to be adopted, thus increasing the investment limit of the pension funds in foreign issuers of securities from 20% to 30% (recommendation from Progress Report 2008).

INSTITUTIONAL FRAMEWORK

Pursuant to the Law Amending the Law on Insurance Supervision (Official Gazette of the Republic of Macedonia No. 79/07) the establishment of Insurance Supervision Agency is envisaged, as an independent institution for insurance supervision in charge of conducting supervision, pronouncing misdemeanour sanctions, as well as adoption of bylaws related to the insurance market in the Republic of Macedonia.

In the course of 2009, the function of a pension funds' guardian of property is planned to be transferred from the National Bank of the Republic of Macedonia to the business banks.

Moreover, in the course of 2009 the establishment of a Misdemeanour Commission within ASFFPI is planned as well as training of its members, hence it will start operating.

MEDIUM-TERM PRIORITIES

A new Law on Insurance is envisaged to be adopted, thus ensuring continuous harmonisation of domestic legislation with the EU legal acts arising from the concept "Solvency 2" and the international insurance supervision standards IAIS.

In the area of pension insurance, completion of the legal framework is envisaged by adoption of the Law on Payment of Pensions in 2010 regulating the withdrawal and use of funds from the second and third pillar. This law is planned to regulate the types of pensions payments from capital funded pension insurance (programmed withdrawals from the pension funds and lifelong annuities granted by special institution authorised for this purpose), as well as institutions competent for payment of pensions.

In addition, gradual capacity strengthening of the Insurance Supervision Agency and ASFFPI is envisaged, for which IPA funds are approved within the framework of the project fiche 2008.

3.9.3 FINANCIAL MARKETS INFRASTRUCTURE

CURRENT SITUATION

In the course of the first half in 2008 the Law on Financial Security (Official Gazette of the Republic of Macedonia No. 84/08) was adopted in which Directive 32002L0047 on financial security arrangements is transposed. The Law ensures greater integration, efficiency and stability of financial market and financial system, greater security of financial transactions among the entities, increase of the financial market liquidity and decrease of the administrative burden in concluding financial security agreements.

The Ministry of Finance, i.e. the Sector for Financial System, is in charge of drafting laws and bylaws regulating the part of financial markets.

SHORT-TERM PRIORITIES

By end-2009, Law Amending the Law on Fast Money Transfer is envisaged to be adopted, in which Directive 32007L0064 is partially transposed. The amendments to the Law refer to the reduction of funds necessary for the operation of the companies for swift money transfer from EUR 100,000 to EUR 20,000.

MEDIUM-TERM PRIORITIES

Complete transposition of Directive 32007L0064 on payment services in the internal market of EU is envisaged by 2011 at the latest.

3.9.4 SECURITIES MARKET AND INVESTMENT SERVICES

CURRENT SITUATION

LEGAL FRAMEWORK

In January 2008, the Law Amending the Law on Securities was adopted (Official Gazette of the Republic of Macedonia No. 95/2005, 25/2007, 07/2008). These amendments aimed at extending the services related to securities performed by the brokerage companies and the banks with a new service of "keeping securities." The new service includes opening and keeping securities accounts for clients in depository and other services related to securities upon order by the clients, such as payment of dividends and interest, notifications on assemblies of shareholders, etc. The new service can be performed by banks and brokerage companies established with a capital of EUR 500,000.

The amendments are also aimed at full professionalisation of the Securities and Exchange Commission, i.e. the president and all commissioners (members) which will be full-time engaged, to the end of more professional and more efficient performance of their working tasks and strengthening the supervisory function of the Macedonian Securities and Exchange Commission. A criterion for determining the amount of fees paid by the Macedonian Securities and Exchange Commission is introduced, i.e. these fees, according to the Tariff List of the Commission, will need to correspond to the costs determined in the annual financial plan, the operational programme, as well as the development needs of the Macedonian Securities and Exchange Commission. In addition, the Macedonian Securities and Exchange Commission adopted a Rulebook on the form and contents of the prospectus and call for securities registration and payment (Official Gazette of the Republic of Macedonia No 28/2008) in which Directive 32003L0071 on the prospectus to be published when securities are offered to the public or admitted to trading is transposed, as well as Regulation 32004R0809 implementing the above-mentioned Directive.

INSTITUTIONAL FRAMEWORK

The Ministry of Finance of the Republic of Macedonia, i.e. the Unit for Capital Market within the Sector for Financial System is the competent institution for preparation of the legislation related to the capital market and harmonisation of Macedonian legislation with the legislation of the European Union.

In the course of 2008 the Macedonian Securities and Exchange Commission cooperated with USAID and with the International Finance Corporation in order to promote the role of the Commission as a regulator of the securities market.

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

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

Activities for amending the Law on Securities have been initiated since October 2008, for the purpose of which the working group is formed consisting of representatives of the Ministry of Finance, the Macedonian Securities and Exchange Commission, the Central Securities Depository as well as the Securities Operations Group. The Amendments to the Law on Securities are directed towards harmonisation with Directive 31997L0009 on investor-compensation schemes and Directive 32007L0044 relating to the rules and criteria for acquiring and increasing of the participation within the financial sector. Moreover, the foreseen amendments shall entail part of the recommendations from the Assessment Mission (2007) regarding the issues related to financial services in the Republic of Macedonia. These amendments to the Law will enable the legal framework to be established aimed at establishment of an Investor Compensation Fund as well as Guarantee Fund in case of non-settlement of securities transactions.

In the beginning of 2009, a new Law on Investment Funds will be adopted. The following directives will be transposed in the law: 32001L0108, 32001L0107, 31985L0611, 32000L0064, 32004L0039 and 32007L0044, for collective investment in transferable securities (the same applies to area 4.1: movement of capital).

INSTITUTIONAL FRAMEWORK

Staffing of the MSEC with new employments is envisaged. Moreover, it is envisaged for the MSEC to benefit from foreign assistance through the World Bank Project REPARIS for preparation of Guidelines on conducting supervision of the market participants on the grounds of risk-based methodology and the Guidelines on financial reports analysis. In addition, strengthening is envisaged of the Sector for Financial System within the Ministry of Finance.

MEDIUM-TERM PRIORITIES

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

The Macedonian Securities and Exchange Commission plans to further develop the professional and vocational capacities of employees with the Commission, i.e. their vocational training and increasing of their capacities as regards the everyday working activities.

3.10 INFORMATION SOCIETY AND MEDIA

3.10.1 ELECTRONIC COMMUNICATIONS AND INFORMATION TECHNOLOGIES

CURRENT SITUATION

A) LEGAL FRAMEWORK

Strategic documents:

The National Strategy for Development of Electronic Communications and Information Technologies fully rests upon the EU initiative for development of i2010 information society. The National Strategy for Development of Electronic Communications and Information Technologies has a mission to involve the economy of Republic of Macedonia in the world map of networked economies, to establish conditions for a leap forward in the development of the economy by accelerated introduction and massive efficient use of electronic communications and information technologies.

Basic law:

The Law on Electronic Communications (Official Gazette of the Republic of Macedonia No.13/05, 14/2007, 55/2007 and 98/2008). The 2002 package of EU directives on electronic communications has been fully implemented in this Law.

B) INSTITUTIONAL FRAMEWORK

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

The institutions which have indirect competence over the development of electronic communications are the Ministry of Information Society, the Ministry of Economy, the Ministry of Finance, the Commission for Protection of Competition, the Directorate for Personal Data Protection and the Institute for Standardisation.

SHORT-TERM PRIORITIES

The strategic document which is planned to be adopted in the Republic of Macedonia, and which arises from the NSECIT obligations, is the National Strategy for Development of Next Generation Broadband Internet. The strategy focuses mainly on creating a favourable environment for installation and development of next generation access networks which represent a key link in the networked economy and an instigator in the development of information society. The activities and measures foreseen in the Strategy have been derived from the best EU practices and harmonised with the EU recommendations on development of electronic communications (Draft-Recommendation of the EC on regulated access to next generation network infrastructure, ERG opinion/common position (ERG (07) 16 Rev 2).

The Government of the Republic of Macedonia adopted a Decision on the manner and time frame for establishing the unique European number 112, for the purpose of establishing a communication-information system with a unique call number in case of risks, dangers and other accidents over the entire territory of the Republic of Macedonia, which transposes part of the Directive on universal service and users' rights relating to electronic communications networks and services (2002/22/EC). The implementation and establishment of the system is in progress (the procedure is implemented through international announcement) and is within the competence of the Crisis Management Centre.

A) LEGAL FRAMEWORK

PRIMARY LEGISLATION

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

Amending the Law on Electronic Communications, particularly in the part referring to the harmonisation with the new laws which were adopted in the meantime and are related to the Regulation on Electronic Communications, further harmonisation with the Universal Service Directive 2002/22/EC, as well as removal or further specification of certain decisions in the existing law which pose barriers to the entrance of new investors, new technologies, etc., has been anticipated in 2009.

SECONDARY LEGISLATION- HARMONISATION WITH ACQUIS

(competence of the Agency for Electronic Communications)

The Agency for Electronic Communication envisages the following activities in 2009 related to adoption of acts arising from the primary legislation:

1. Adoption of an act defining cases of possible price squeeze occurrence (pursuant to Directive 2002/22/EC on Universal Service);
2. Revision of the existing regulations referring to radiofrequency spectrum aimed at ensuring development of the so called wireless economy, and determining the need and method for introduction of the "trade in radiofrequencies" principle (measure

2.4 of the NSECIT); and harmonisation with: 1. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on digital dividend: Joint approach on the use of the spectrum released by the digital switchover COM (2007) 700 final; 2. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Rapid approach to spectrum for wireless electronic communication services COM (2005)400 final; 3. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Market-based approach to spectrum management COM (2005)400 final; 4. Radio Spectrum Policy Group opinion from 2004 on spectrum implications of the switchover to digital broadcasting (RSPG04-55 Rev.); 5. European Parliament Resolution on European policy on the Radio Spectrum (2006/2212(INI); 6. European Parliament Resolution on reaping the full benefits of the digital dividend in Europe: a common approach to the use of the spectrum released by the digital switchover 2008/2099(INI);

3. Preparation of Guidelines on building electronic communication networks and associated facilities (Harmonisation with NSECIT; National Strategy for Development of Next Generation Broadband Internet Development);
4. AEC will adopt its own strategy on the regulator future operations (regulation policy) (measure No. 2.2 b from NSECIT);
5. Revision of the Rulebook on the use of terminal equipment (Directive 1999/5/EC)
6. Revision of the Rulebooks which regulate the provision of universal service (pursuant to the Universal Service Directive 2002/22/EC);
7. Revision of the Rulebook on the type and contents of the data that public communication networks operators and/or providers of public communication service are bound to publish in line with the general conditions for access and use, prices and tariffs and quality parameters of public communication services (pursuant to the Universal Service Directive 2002/22/EC);
8. Preparation of Guidelines on cost model preparation based on LRIC methodology for operators with significant market power on the markets for public mobile communication networks and services (Harmonisation with 1. European Commission Recommendation C (2005) 3480 final; ERG joint position on long-term incremental costs-LRIC from 2003; 3. IRG Principles of implementation and best practices on the application of IRG from 2003; 4. 2008 EU draft-recommendations on cost amount for call termination in the fixed and mobile telephony.

In 2009, for the purposes of the implementation of the secondary legislation, the following activities have been foreseen by the Agency for Electronic Communications:

1. Granting approvals for digital television service distribution (pursuant to 1. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on accelerating the transition from analogue to digital broadcasting (COM(2005) 204 final); 2. Commission Working Paper on the contribution of wide-screen and high definition to the global roll-out of digital television (SEC (2004) 46) 3. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on reviewing the interoperability of digital interactive television services pursuant to Communication COM(2004) 541;
2. Granting approvals for use of radio frequencies from the frequency band 1800-1805 MHz intended for broadband access, granting approvals for use of radio frequencies for public mobile communication services over the territory of the Republic of Macedonia in accordance with the standard DCS 1800 in the frequency band 1720-1785MHz/1815-1880MHz, as well as implementation of a procedure for granting two approvals for use of radio frequencies for provision of third generation (3G) public mobile networks and services;
3. Analysis of retail prices offered by JSC Macedonian Telecommunications Skopje, as an operator with significant market power on the markets for fixed voice telephone networks and services and leased lines, and, if necessary, prescribing one of the methods of retail price regulation laid down in Article 49 of the Law on Electronic Communications;
4. Analysis of the prices in the approved reference offers on interconnection of JSC Macedonian Telecommunications Skopje, T-Mobile JSC Skopje and Cosmofon JSC Skopje, as well as analysis of the prices in the approved reference offer on local loop unbundling access of JSC Macedonian Telecommunications Skopje;
5. Analysis of the offer submitted by JSC Macedonian Telecommunications Skopje on bitstream access provision and resale of bitstream service;
6. Analysis of the offer submitted by JSC Macedonian Telecommunications Skopje on wholesale of subscriber lines;
7. Determining the universal service provider;
8. Analysis of the relevant market 16 for mobile communication networks and services (Pursuant to Article 5 of the Framework Directive 2002/21/EC and Commission Guidelines (2002/C 165/03) on market analyses);
9. Analysis of the relevant market 12 for wholesale of broadband access (Pursuant to Article 5 of the Framework Directive 2002/21/EC and Commission Guidelines (2002/C 165/03) on market analyses);
10. Analysis of relevant markets 1, 2, 3, 4, 5 и 6 for retail of products and services (Pursuant to Article 5 of the Framework Directive 2002/21/EC and Commission Guidelines (2002/C 165/03) on market analyses);
11. Analysis of relevant markets 8, 9, 10 and 11 for wholesale of products and services (Pursuant to Article 5 of the Framework Directive 2002/21/EC and Commission Guidelines (2002/C 165/03) on market analyses);

12. Control of the contents of the agreements that the operators conclude with their subscribers, in particular from the perspective of the level of the service provided (SLA) (pursuant to the Universal Service Directive, the Directive on Interconnection and Access and the Framework Directive);
13. Validation of the accuracy of the cost calculation system used by the operators having significant market power through an authorised auditor.

5) INSTITUTIONAL FRAMEWORK

Ministry of Transport and Communications

- Staffing of the Sector for Communications.
- Enhanced professional training of the existing staff, intensified participation at conferences and debates, as well as participation in the working bodies of the EU and the ITU.
- Procure software, equipment and specialised literature.
- High level of use of a web-based interactive platform of the Sector for Communications for ensuring transparency and non-discrimination at work.
- Strengthen cooperation with domestic and external institutions.
- Increase cooperation with the non-governmental, private and academic sector.
- Strengthen the capacity for the future use of IPA funds.

Agency for Electronic Communication

- Vocational training for the existing staff.
- Use technical assistance of outsourcing consultants as well as the EU TAIEX instrument.
- Build/purchase business premises for the needs of AEC staff.
- Supply of specialised software, equipment and reference literature.
- Strengthen the cooperation with domestic and foreign regulatory bodies and state institutions, as well as local self-government institutions.
- Actively participate in international organisations and bodies in the area of electronic communications.
- Strengthen the AEC capacities for future use of IPA funds.
- Actively participate in the drafting of primary legislation and strategies in the area of information society, electronic communications and media.
- Maintain a register of electronic communication networks and associated facilities (over-ground and underground).

MEDIUM-TERM PRIORITIES

A) LEGAL FRAMEWORK

SECONDARY LEGISLATION – HARMONISATION WITH ACQUIS

(competence of the Agency for Electronic Communication)

In 2010, the following activities have been foreseen by the Agency for Electronic Communications related to the adoption of acts arising from primary legislation:

1. Adoption of an act on transition from 18 to 7 relevant markets pursuant to Commission Recommendation 2007/879/EC.
2. Preparation of a policy and plan for the introduction of digitalisation of electronic media (harmonisation with measure 2.4a from NSECIT – AEC should prepare an analysis for the future digital dividend which is to be received after the digitalisation process and the harmonisation with the Communication on digital dividend of the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: a common approach to the use of the spectrum released by the digital switchover COM (2007) 700 final and the European Parliament Resolution on reaping the full benefits of the digital dividend in Europe: a common approach to the use of the spectrum released by the digital switchover 2008/2099(INI);
3. Act on processing the caller location information in electronic communication networks for the purpose of location-enhanced emergency call services information processing (Commission Recommendation 2003/558/EC).
4. Reviewing the possibility of introducing symmetry of calls termination rates of public mobile communication networks pursuant to the Common Positions of ERG (07) 83 Final and ERG (08) 41 final).

The Agency for Electronic Communications, as regards the implementation of the secondary legislation in 2009, envisages the following activities:

1. Analysis of relevant market 18 for delivery of broadcast contents to end users.
2. Analysis of relevant markets 15 and 17 for public mobile communication networks and services.
3. Analysis of relevant market 7 for retail of products and services.

4. Analysis of relevant markets 13 and 14 for wholesale of products and services.

The aforementioned relevant market analyses will be performed in accordance with Article 5 of the Framework Directive 2002/21/EC and the Commission Guidelines (2002/C 165/03) on market analysis.

FOREIGN ASSISTANCE

- Use of technical assistance of the EU TAIEX instrument.
- Project E-112: Implementation of the unique European emergency number E-112 in the Republic of Macedonia. The project is to be finalised by the end of 2010, or the beginning of 2011.

3.10.2 INFORMATION SOCIETY SERVICES

CURRENT SITUATION

A) LEGAL FRAMEWORK

Strategic documents:

The National Strategy for Development of Information Society and Action Plan and the National Strategy for Development in the area of Electronic Communications and Information Technologies.

Basic laws related to information society services:

- Law on Electronic Communications (Official Gazette of Republic of Macedonia No. 13/05, 14/2007 and 55/2007).
- Law on Electronic Commerce (Official Gazette of Republic of Macedonia No. 133/07).
- Law on Legal Protection of Services based on or including Conditional Access (Official Gazette of Republic of Macedonia No. 127/2008)
- Law on Electronic Data and Electronic Signature (Official Gazette of Republic of Macedonia No. 34/2001 and 06/2002).
- Law on Personal Data Protection (Official Gazette of Republic of Macedonia No. 12/94, 4/02 and 07/05)
- Law on Copyright and Related Rights (Official Gazette of Republic of Macedonia No. 47/96, 3/98, 98/02, 4/05, 23/05, 131/07)
- The Criminal Code of the Republic of Macedonia prescribes provisions regulating the computer crime.

B) INSTITUTIONAL FRAMEWORK

The Ministry of Information Society is the basic competent institution for the development of information society services.

The National Council for Information Society is a coordination body that ensures participation of all actors in the development of information society by supporting the work of the Minister for Information Society.

SHORT-TERM PRIORITIES

A) LEGISLATIVE MEASURES

In 2009, the following activities are envisaged with regard to the development of information society:

- Preparation of an analysis for defining a model with a legal solution for institutional transformation of MARNET in a National academic scientific and research network.

B) INSTITUTIONAL MEASURES

Ministry of Information Society

- Employment of new staff in the Ministry of Information Society.
- Enhanced professional training on ICT of existing staff, intensified participation on various seminars, courses, and conferences in the country and abroad.
- Procure specialised software, equipment and specialised literature.
- Strengthen cooperation with domestic and external institutions.
- Increase cooperation with the non-governmental, private and academic sector.
- Strengthen the capacities for future use of IPA funds.
- Actively participate in international organisations and bodies related to information society.
- Actively participate in international alliances for "fight against information security threats".

C) OTHER MEASURES AND PROJECTS FOR DEVELOPMENT OF INFORMATION SOCIETY

- Project on compulsory use of electronic signature in the work of the state administration.
- Creation of Internet Exchange within MARNET or within other independent institution
- The National Council for Information Society to analyse the administering of the domain .mk and to prepare recommendations based on European experience.
- The local self-governments in cooperation with the Government of the Republic of Macedonia to ensure sustainable, controlled and secure internet connection of primary and secondary schools, as well as an approach to e-services in the area of education.

- A campaign on the advantages and benefits from building and developing the municipal electronic communication networks as a basis of the information society.
- To support the use of electronic documents and signatures in domestic and cross-border trade, as well as in the communication with state institutions.
- Initiating a project on future digitalisation of libraries.
- Electronic payment of services provided by governmental institutions by upgrading the electronic service www.uslugi.gov.mk with a module for electronic payment (over the internet or by telephone) of services provided by the Government and state institutions which claim payment of certain fees, as well as electronic processing of service requests.
- Fifteen internet clubs are planned to be opened within the project "The World in Your Palm",
- Within the project "Macedonia - Country of Information Technologists", vouchers will be awarded to all the regular students enrolled in their final year of studies for the first time in the academic 2008/2009 at any of the accredited faculties in the Republic of Macedonia, as well as to all students registered as disabled persons.
- Government network structure – project for building a backbone electronic and communication network to connect state institutions.
- Installation of LAN-network and free of charge internet access in student campuses through installation of communication infrastructure to each room, and equipping one room with computers and free of charge internet access in dormitories.
- Project on E-democracy development through creation of a web portal for participation of citizens in the development of information society.
- Integrated Border Management – the project is aimed at improving the efficiency of the work by exchanging information in digital format with the neighbouring countries and anti-crime international agencies for by connecting the border crossing points and customs branches electronically into a single system which will be connected to the systems of other countries.
- Founding a university of information technologies which is to start functioning in the academic 2009/2010.
- Stimulation for using and developing electronic commerce through different measures, such as competition announcement for best e-business plan where the Government would subsidise certain funds for the best 5 ideas.
- Establishment and development of an integrated e-Government system on document management which would integrate all of the relevant institutions and would enable the Government to automate work processes and to enable monitoring of the documentation flow monitoring within the process of adoption and approval.

MEDIUM-TERM PRIORITIES

Strategic documents to be drafted:

- The National Strategy for e-Inclusion.
- The local self-governments should adopt local ICT strategies.
- Creating a strategic document on e-Health.
- Creating a strategic document on e-Government.
- Creating a strategic document on e-Education.

A) LEGISLATIVE MEASURES

- Amendments to the existing legislation for the purposes of achieving information security from the perspective of ICT by taking into account fundamental human rights, freedom of expression, free access to information, personal data protection.
- Revision of the existing legal and regulation framework in order to ensure that it provides the necessary protection of the national and individual "information capital" and ICT infrastructure.
- Adoption of a set of laws and organisational amendments in order to provide e-Work.
- Adoption of a set of laws and organisational amendments in order to provide distance learning.

B) INSTITUTIONAL MEASURES

- Institutional transformation of the National Academic and Research Network (MARNET)
- Campaign on raising the public awareness about the efficient and effective use of ICT equipment and information society services from the perspective of operators and data-centres.
- Training of the ICT staff in state administration.

C) OTHER MEASURES AND PROJECTS FOR DEVELOPMENT OF INFORMATION SOCIETY

- Preparation of a study on the needs for a Centre for Monitoring of National and Global Threats and Risks in terms of ICT in real time.
- Preparation of an action plan for introduction of the IPv6 internet protocol.
- Preparation of guidebook on e-Accessibility and e-Inclusion.

- Initiatives for intermunicipal cross border cooperation between the municipalities from the Republic of Macedonia and the municipalities from the neighbouring countries, particularly from the Euro regions, shall be used for implementation of pilot projects of this type.
- Local self-government is to establish the necessary ICT infrastructure for the functioning of the e-points in the rural environments.
- The Government of the Republic of Macedonia is to encourage the establishment of communities of buyers and vendors and, to promote e-confidence and consumer protection through full regulation of consumer rights on the internet.
- Preparation of a study on the need for introduction of standardised ICT solutions for small and medium-sized enterprises and guidelines for their support by the Government.
- Preparation of a National Report and Assessment of the awareness regarding information insecurity and needs to increase the knowledge and skills for increasing information security in all the segments of the society.
- Promotion and recommendations for the organisations (public administration, economy, civil sector) to introduce information security management systems and the ICT infrastructures they use.
- Introduction of certification system for successfully maintained and used information security and ICT systems for the organisations, as well as mandatory annual audit.
- Introduction of a system for regular monitoring, identification and proposing of measures for reduction of "organisational sensitivity/vulnerability to information threats" in all the social sectors.
- Establishment of a coordinated system of public services provision and Citizens Relationship Management.
- Free of charge wireless hotspots in places with high concentration of people (bus stations, railway stations, airports, libraries, etc.)
- Implementation of the ICT strategy in the judiciary (2007-2010) which would help establish and develop a modern and transparent judiciary in the Republic of Macedonia pursuant to the European and the international ICT standards.
- Establishment of an electronic health card system which would enable digitalisation of medical files and unification of systems that would simplify the process of working with the health history data of each patient . This card will be compatible with the European EHIC health card.
- Project on digitalisation of the cadastre through GIS software application. The project is realised in the State Authority for Geodetic Works.
- Computer for every child, which is to provide a computer for every pupil in the classroom. The equipment has been purchased and its installation is in progress. The training of the teaching staff is also in progress. The project rests upon the National Programme for Development of Education (2005-2015).
- National Certification Authority. The establishment of the data centre within the Government of the Republic of Macedonia has started, it is necessary for the establishment of the National Certification Authority. Thus, the implementation of the necessary PKI (public key infrastructure) infrastructure, which will ensure the implementation of advanced governmental electronic services, will be made possible.
- Development of e-Government services through defining the standards and architecture for e-Government applications and projects for the purpose of promoting e-Government services for citizens.
- Development of an Agricultural Information System which would include a National System for Identification of Animals and Vine Plantations Register.

FOREIGN ASSISTANCE

- Use of technical assistance through the TAIEX instrument of the EU.

3.10.3 AUDIOVISUAL POLICY

BROADCASTING

CURRENT SITUATION

A) LEGAL FRAMEWORK

Strategic documents

The Strategy for Development of Broadcasting Activity adopted by the Broadcasting Council in 2007. The strategy identifies the problems of its development to date, makes a cross section of the current situation and provides specific goals and directions for the future regulation of the broadcasting activity in the following segments: broadcasting industry, pluralism and program diversity, digitalisation of terrestrial broadcasting and the development of the regulatory framework.

Basic law

Law on Broadcasting Activity adopted in November 2005 (Official Gazette of the Republic of Macedonia, No. 100/05, 19/2007 and 03/08).

Other laws containing provisions related to broadcasting:

1. Law on Establishing the Public Enterprise Macedonian Broadcasting (Official Gazette of the Republic of Macedonia, No. 6/98);
2. Law on Electronic Communications (Official Gazette of the Republic of Macedonia, No. 13/05, 14/07 and 55/2007);
3. Law on Legal Protection of Services based on or including Conditional Access (Official Gazette of the Republic of Macedonia No. 127/2008)
4. Law on Copyright and Related Rights (Official Gazette of the Republic of Macedonia, No. 47/96, 3/98, 98/02, 4/05, 23/05 and 131/07);
5. Law on State Market Inspectorate (Official Gazette of the Republic of Macedonia, No. 24/07 and 81/07).
6. Law on Ratification of the European Convention on Transfrontier Television and the Protocol Amending the European Convention on Transfrontier Television (Official Gazette of the Republic of Macedonia, No. 18/2003);

B) INSTITUTIONAL FRAMEWORK

The Ministry of Transport and Communications is the state body competent for the development and implementation of the policy related to electronic communications, information society and broadcasting.

In accordance with the Law on Broadcasting Activity, the Broadcasting Council conducts supervision of the implementation of the Law in relation to observing the programme principles, programme requirements and restrictions, as well as the conditions stipulated in the license for broadcasting activity.

The supervision of compliance with the operation requirements contained in the approval for use of radiofrequencies, construction, maintenance and use of networks and programme broadcasting and transmission devices is performed by the Agency for Electronic Communications and the Ministry of Transport and Communications.

SHORT-TERM PRIORITIES

A) LEGAL FRAMEWORK

Primary legislation

The Law on Broadcasting Activity is to be amended in 2009 for the purpose of improving the situation in the broadcasting activity and further compliance with the *acquis*. In addition, amendments to the current Law on Broadcasting Activity will be proposed for the purpose of providing better financial stability of the institutions - users of broadcasting fee (Harmonisation with the Audiovisual Media Services Directive (2007/65/EC (AVMS)).

It is planned to adopt amendments to the Law on Establishing the Public Enterprise Macedonian Broadcasting in 2009. Besides the analogue broadcasting of the programme of the Public Broadcasting Service and the Parliament Channel, the Public Enterprise Macedonian Broadcasting will simultaneously provide transmission of those programmes via digital network with one digital multiplex. The financial means for building the digital network will be provided from the Budget of the Republic of Macedonia for a period of three years. The amendments to the Law on Establishing the Public Enterprise Macedonian Broadcasting represent harmonisation with the Decision of the EFTA Surveillance Authority No 90/04/COL for state aid to public services broadcasting and the Resolution of the Council and of the Governments of the Member States from 25 January 1999 concerning public service broadcasting.

Implementation of legislation

The Council plans to implement the following activities in 2009:

- supervision over the implementation of the obligations of the public broadcasting service laid down in the Law and bylaws;
- supervision over the implementation of the obligations of the commercial broadcasters laid down in the Law, the licence and the bylaws;
- monitoring the broadcasters programs during election campaign, pre-election silence and election day;
- monitoring of the ownership structure of broadcasters and their obligations in terms of transparency of the ownership and funding sources;
- monitoring of the obligation of broadcasters to pay the fee for the licence for broadcasting activity;
- supervision of the work of the broadcasters in relation to their fulfilment of the technical requirements laid down in the bylaws and the license for broadcasting activity;
- supervision of the obligations of the public communication networks laid down by the Law referring to registration of programme packages;
- imposing sanctions and initiation of misdemeanour proceedings for violation of the provisions of the Law, the licence and the bylaws against broadcasters, i.e. public communication networks;
- establishing institutional cooperation with the State Market Inspectorate for the purposes of ensuring consistent enforcement of the Law on Copyright and Related Rights;
- conducting analysis on the broadcasting market in order to determine the economic and financial work of the broadcasters in 2009 and to detect the trends in the development of the broadcasting and announcing industry;

- common activities of the BC and AEC in the framework of the Working Group responsible for preparation and implementation of the procedure for allocation of multiplexes;
- monitoring of the implementation of the Strategy for Development of Broadcasting Activity, commencement and coordination of the activities with other competent institutions and organisations implementing the Strategy;

B) INSTITUTIONAL FRAMEWORK

Broadcasting Council

- Raising administrative and institutional capacities
- Developing and enhancing the cooperation between independent regulatory authorities
- Participation in annual meetings of the European Platform of Regulatory Authorities (EPRA)
- Supply of reference literature
- Upgrading the monitoring equipment
- Purchase of new software for radio and television program analysis.
- Strengthening the administrative capacities in the area of intellectual property.

MEDIUM-TERM PRIORITIES

The Ministry of Transport and Communications has started activities regarding the possibility of implementing mobile TV services through Analysis of the best practices and recommendations of the European Commission; public debate with all interested parties and preparation of conclusions; information and proposals to the Government of the Republic of Macedonia. This provides harmonisation with the 1. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on accelerating the transition from analogue to digital broadcasting (COM(2005) 204 final); 2. Communication from the Commission (2008) 845 Final - Legal Framework for Mobile TV Networks and Services; 3. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on strengthening the internal market for mobile television COM 2007 409 final.

The Ministry of Transport and Communications has started activities for future implementation of DVB-T2 through Analysis of the best practices and recommendations of the European Commission; public debate with all interested parties and preparation of conclusions; information and proposals to the Government of the Republic of Macedonia. This provides harmonisation with the 1. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on Accelerating the transition from analogue to digital broadcasting (COM(2005) 204 final); 2. Commission Working Paper on the contribution of wide-screen and high definition to the global roll-out of digital television (SEC (2004) 46); 3. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on reviewing the interoperability of digital interactive television services pursuant to EC Communication (2004) 541); 4. Communication on reviewing the interoperability of digital interactive television services pursuant to Communication COM (2004) – (COM(2006) 37 final).

SECONDARY LEGISLATION – HARMONISATION WITH ACQUIS

Adoption and implementation of bylaws which will arise from the harmonisation of the Law on Broadcasting Activity with the new Audiovisual Media Services Directive (2007/65/EC (AVMS).

FILM FUND

CURRENT SITUATION

A) LEGAL FRAMEWORK

The film industry, cinematic sector and the field of protection of copyright and related rights, are regulated under the following acts:

- Law on Culture (Official Gazette of the Republic of Macedonia No. 66/03 - consolidated text);
- Law on the Establishment of Cinematheque of the Socialist Republic of Macedonia (Official Gazette of the Socialist Republic of Macedonia No. 20/74);
- Law on Mandatory Copies (Official Gazette of the Republic of Macedonia No. 11/94);
- Law on Copyright and Related Rights (Official Gazette of the Republic of Macedonia No. 47/96, 3/96, 98/02, 4/05 and 131/07);
- Law on Protection of the Cultural Heritage (Official Gazette of the Republic of Macedonia No. 20/04; 71/04 and 115/07);
- Law on Ratification of the European Convention on Co-production in Cinematography (Official Gazette of the Republic of Macedonia No.18/03)
- Law on the Film Fund of Republic of Macedonia (Official Gazette of the Republic of Macedonia No. 70/2006)
- Rulebook on the criteria on funding motion picture projects and the elements that should be incorporated in the motion picture projects which are of national interest (Official Gazette of the Republic of Macedonia No. 125/07);

- Law on Audiovisual Goods (in parliament procedure) – completely incorporates the Recommendation 2005/865/CE of the European Parliament and of the Council from 16 November 2005 on film heritage and the competitiveness with related industrial activities.

The Republic of Macedonia is a member of the European Audiovisual Observatory and the SEEEN (South East European Cinema Network).

The Ministry of Culture has initiated negotiations for participation in the Programme of the Community MEDIA PROGRAMME (2007-2013). Until full membership of Republic of Macedonia in MEDIA 2007 Programme of the European Commission, the European Parliament has granted a preparatory process proposed by the European Commission entitled MEDIA International.

B) INSTITUTIONAL FRAMEWORK

The institutions competent for the development of the film industry in the Republic of Macedonia are the Ministry of Culture, the Cinematheque of the Republic of Macedonia and the Film Fund.

SHORT-TERM PRIORITIES

- Extending the negotiations for participation in the MEDIA Programme (2007-2013), the Ministry of Culture will establish conditions for participation in projects aimed at development of production, distribution of motion pictures and audiovisual programmes, promotion of motion pictures and audiovisual programmes.
- Adopting an Annual Programme by the Film Fund for funding of motion pictures and promotion of film activity in the Republic of Macedonia, on the basis of a public announcement (two announcements in 1 year, in May and December)
- Staffing of the National Institution - Film Fund of the Republic of Macedonia.
- Training the Film Fund employees, film authors and producers.

MEDIUM-TERM PRIORITIES

- Staffing of the National Institution - Film Fund of the Republic of Macedonia.

FOREIGN ASSISTANCE

- Need for a training programme for the Film Fund employees, film authors and producers, as well as ICT and other equipment.
- Vocational training of the existing staff through TAIEX (BC) programme.

3.11 AGRICULTURE AND RURAL DEVELOPMENT

3.11.1 HORIZONTAL ISSUES

CURRENT SITUATION

LEGAL FRAMEWORK

The management and control of budget funds allocated for the support on agricultural development and the establishment of registers necessary to control, monitor and evaluate activities are regulated by the following legal acts:

- Budget Law (Official Gazette of the RM No 64/05)
- Law on State Audit (Official Gazette of the RM No 73/04)
- Law on Audit (Official Gazette of the RM No 79/05)
- Law on Financial Operations (Official Gazette of the RM No. 42/93 and 32/97)
- Law on Investment Funds (Official Gazette of the RM No 9/2000)
- Law on Banks (Official Gazette of the RM No 63/2000, 103/00,37/02, 51/03 and 85/03)
- Law on Electronic Data and Electronic Signature (Official Gazette of the RM No 34/01)
- Law on Personal Data Protection (Official Gazette of the RM No. 07/05)
- Law on Establishing an Agency for Financial Support of Agriculture and Rural Development (Official Gazette of the RM No 72/2007),
- Law on Establishing Farm Accounting Data Network (Official Gazette of the RM No 110/2007)
- Law on establishing of network for collection of farm accounting data (Official Gazette of the Republic of Macedonia No 110/07) and
- Law on Agriculture and Rural Development (Official Gazette of the RM No 134/07)

In addition to the legal acts, a Strategy for the Development of Agriculture and Rural Development for the period 2007-2013 was adopted in June 2007 which defines the future measures for the development of the policy for financing agriculture as well as for establishing the systems and institutions necessary for their implementation.

INSTITUTIONAL FRAMEWORK

Regarding the programming of direct payments and the remaining measures aimed at the development of the agricultural sector in the Republic of Macedonia, the Ministry of Agriculture, Forestry and Water Economy with all its sectors and directorates is the competent institution. In addition, the Ministry is competent to establish all systems and registers necessary to implement the support measures. In this respect, the following sectors are competent in this area:

- Sector for Agriculture with all its units,
- Sector for Agricultural Policy Analysis with all its units,
- Sector for Agricultural Land Management and Registration (SALMR)
- Sector for Coordination of Local Units , and
- State Agriculture Inspectorate competent for inspection supervision over the implementation of the programmes and measures.

Starting from 2008, with the adoption of the Law on Establishing an Agency for Financial Support of Agriculture and Rural Development (Official Gazette of the RM No 72/2007), the Agency, established as an independent body, has been competent to implement the financial support, to monitor and control the funds aimed for agriculture as well as to administer and control payments in agriculture.

With the adoption of the Law on Establishing a Farm Accounting Data Network (Official Gazette of the RM No 110/07) and the new MAFWE systematisation in 2007, a Sector for Agricultural Policy Analysis (SAPA) was established, inter alia, competent to set up and maintain the network. The Farm Accountancy Data Unit within SAPA has the role of a Liaison Agency. In addition to SAPA, institutions responsible for the implementation of the system are also the National Committee for Farm Accounting Data, the State Statistical Office, regarding the selection of agricultural holdings from which data is gathered, and the National Extension Agency, as a body which collects accounting data at the level of agricultural holdings.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

Regarding the direct payments and state aid in agriculture in 2009 the adoption of a large number of legal acts is foreseen, among which more important are the Decree on Direct Payments in Agriculture, the Programme for Financial Support of Agriculture in 2009, as well as the Law on State Aid in Agriculture. In addition, amendments are envisaged to the Law on Establishing the

Agency for Financial Support of Agriculture and Rural Development. This will also entail appropriate amendments in the internal act on systematisation, which is expected to be implemented by January 2009.

In addition, within AFSARD the adoption of a large number of manuals and internal procedures for work that will regulate the manner of receiving, recording, processing and approval of applications for financial support, the procedure for approval and execution of payments, the procedure for enforcement of payments, accounting and internal audit procedures, as well as the manner of implementation and coordination of on-the-spot controls has also been envisaged. Moreover, with regard to the utilisation of the funds from the pre-accession assistance for rural development, Memorandum of Understanding have been signed between AFSARD and the National Fund and AFSARD and the Managing Authority, a body within the Ministry of Agriculture, Forestry and Water Economy and its Decree on implementation of instrument for pre-accession for rural development (IPARD) is envisaged.

With a view to achieving better utilisation of the funds for pre-accession assistance, Memorandum of Cooperation has also been signed with the remaining technical bodies. All these activities are expected to be completed by February 2009 in order to finalise the activities for obtaining a national accreditation and to send the finalised package of documents to the EC.

Taking into consideration the priority for establishing systems of registration and recording in the agriculture, the adoption of bylaws under the Law on Agriculture and Rural Development that will regulate the area is envisaged, as well as a bylaw for establishing and exchange of data within the Agricultural Market Information System (AMIS). In order to establish the registries and toward the needs of better functionality, connectivity and equipment of MAFWE regional branches and with a view to developing the concept of Regional Centres, it is envisaged to complete the activities started in 2008 for their functional, organisational and staff restructuring.

In the period until June 2009 the adoption of bylaws according to the Law establishing a Farm Accounting Data Network (Official Gazette of the RM No. 110/07) is envisaged that will lead to full compliance with the sources of the EU Acquis and will regulate completely the collection and processing of accountancy data at the agricultural holding level.

INSTITUTIONAL FRAMEWORK

Concerning the institutional aspect and in accordance with the needs for accreditation for IPARD implementation and national support implementation, strengthening of capacities within the Agency for Financial Support of Agriculture and Rural Development is envisaged. Apart from strengthening vertical sectors that take part in the preparation of the measures in the areas for which they are competent, in 2009 strengthening of the Sector for Control with additional 15 employees (plus 35 employees planned to fill in the existing systematisation) is envisaged, as well as procurement of suitable technical equipment and vehicles to carry out the tasks of the sector. Appropriate staff training is also envisaged in accordance with the Agency training plan. In addition, the procurement of equipment and office furniture for each newly employed persons as well as execution of construction works as necessary, in accordance with the Project for Strengthening the Agriculture and EU Accession, funded by a World Bank loan has been foreseen. With regard to the activities envisaged by the project, procurement of software for carrying out accounting operations, in cooperation with the National Fund of the Ministry of Finance is expected.

Regarding the agriculture registers and recording systems, the functioning of a Single Register of Agricultural Holdings in the Republic of Macedonia has been foreseen to begin, supported by an appropriate IT infrastructure and with integration of data from various databases and registers of MAFWE by April 2009. In addition, after executed aerial photographing and interpretation of orthophoto materials, the establishment of the System for Land Parcel Identification in several pilot-municipalities has also been anticipated. To that end, through the Project for Strengthening the Agriculture and EU Accession – Component 1 (*Strengthening the Administrative and Managing Capacity of MAFWE in accordance with the EU accession requirements*), preparations and procurement of a number of services for aerial recording from a plane and data processing, procurement of necessary equipment and software and their installation and testing has been foreseen. Regarding the Agricultural Market Information System, activities will continue for upgrading the system in order to extend the range of product groups and improve the functionality and efficiency of the existing system by designing a software solution and using it on the web.

Regarding FADN, strengthening of the Farm Accounting Data Unit (SAPA) within MAFWE is envisaged, specifying farm typology and size, calculations of a standard gross margin and identifying a representative sample, as well as a selection of agricultural holdings for the system. These activities are envisaged to be supported by international technical support, which includes training of the employees in the Unit as well as the other responsible for the network.

From the point of view of other horizontal activities that influence the Euro-integration process, in the Sector for the EU, the Sector for International Cooperation, the Sector for Normative and Legal Issues, the IT Sector, the Sector for Human Resources and the Strategic Planning Unit, staff strengthening is envisaged.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

The Law on Agricultural Inspection is anticipated for adoption in this abovementioned time period. In addition, the preparations and implementation of the Programme for Financial Support to Agriculture in 2010 and 2011 will continue, including both measures and activities supporting the public services and scientific and research activities in the area. The adoption of secondary acts based on the Law on State Aid in Agriculture has also been envisaged.

As regards the systems of records and registration, during the same time period, it has been envisaged to draft guidelines on the manner of connection registers and databases with other registers and the manner of obtaining data from other registers and records.

INSTITUTIONAL FRAMEWORK

In the medium-term period, strengthening of institutional capacities that play a role in the preparation and implementation of direct payments in agriculture will continue, such as, the Agriculture Sector, the EU Sector, the Sector for Agricultural Policy Analysis, the State Agriculture Inspectorate, the Sector for Registration and Management of Agricultural Land, the IT Sector, MAFWE Regional Branches and the Unit for Farm Accounting Data at agricultural holding level, the Unit for Strategic Planning, the Human Resources Sector and the Sector for International Cooperation.

With regard to the registers, records for direct support and state aid will be established and they will be connected to the Single Farm Register. The Land Parcel Identification System will be expanded from pilot municipalities and will be established on the entire territory of the Republic of Macedonia. The Single Farm Register will be regularly updated, while at the same period the remaining registers will be integrated within the framework of MAFWE - the Animal Identification and Registration System, Vineyards Register and the Land Parcel Identification and Registration System. In this time period, finalisation and functionality of the Agricultural Information System has been envisaged.

FORIGN ASSISTENCE

For the successful implementation of the anticipated activities, a foreign assistance has been provided in the short and medium-term, through:

- Support to IPARD Preparation (EUROPEAID/126581/SER/MK)
- Project for Strengthening the Agriculture and EU Accession (World Bank loan)
- Development of the Administrative Capacity to Adopt and Implement the Acquis in the Agricultural Sector – a project financed by EU pre-accession assistance for 2008, 1st Component (IPA-TAIB).
- Institutional Building of the Administrative Capacities for Agriculture and Rural Development Policy Implementation – a project financed by EU pre-accession assistance for 2009, 1st Component (IPA-TAIB).

3.11.2 COMMON MARKET ORGANISATION

CURRENT SITUATION

LEGAL FRAMEWORK

The legal framework regulating the market of cereals, rice, fresh fruits and vegetables, live trees, other plants, rhizomes, roots, cut and decorative flowers, dried feedstuff and other plant products, is set at the moment by the Law on Agriculture and Rural Development (Official Gazette of the RM No. 134/07), which is partly aligned with the EU legislation. Apart from this Law, the following Laws are linked to the market organisation of these products:

- Law on Electronic Data and Electronic Signature (Official Gazette of the RM No. 34/01)
- Law on Personal Data Protection (Official Gazette of the RM No. 07/05)
- Law establishing the Agency for Financial Support of Agriculture and Rural Development (Official Gazette of the RM No. 72/2007).

The legal framework regulating the wine sector is laid down by the Law on Wine (Official Gazette of the RM, No. 69/2004). The following rulebooks are derived from the Law on Wine:

- Rulebook on the methods for partial dehydration of grape must and oenological means and procedures which applied in the wine production and Rulebook on the methods of analysis on determining the chemical composition of wines and the method of use of refractometer (Official Gazette of the RM, No. 38/2006);
- Rulebook on the classification of grape varieties for wine production (Official Gazette of the RM, No. 6/2007);
- Rulebook on the conditions regarding premises and equipment for wine production, Rulebook on the conditions regarding the premises and equipment of the authorised laboratories oenological testing and analyses and Rulebook on the form, the contents, the dimensions and other data on the wine label (Official Gazette of the RM, No 94/2007);
- Rulebook on the supply of grape husks and wine lees for distillation or vinegar production (Official Gazette of the Republic of Macedonia, No. 14/2008);

- Rulebook on the contents and the form of the grapes and wine products accompanying document and the contents and the form of input and output registers of grapes and wine products (Official Gazette of the Republic of Macedonia 117/2008)
- Rulebook on determining the geographical areas planted with vines in order to protect the origin of wine in the Republic of Macedonia, the list of protected wine names with geographical indication and rules pertaining to delineation of its production areas (Official Gazette of the Republic of Macedonia No. 134/2008) and
- Rulebook on the contents, the form and the manner of application for entry into the National Vineyard Register, Rulebook on the form, the content and the manner of submitting applications for grape harvesting, must and wine production and reserves and Rulebook on the contents, the form and the manner of application for entry into the National Vineyard Register and Register of wine producers . (Official Gazette of the Republic of Macedonia No. 140/2008)

Legal framework regulating the raw tobacco market is currently determined by several laws – the Law on Tobacco and Tobacco Products (Official Gazette of the RM No.24/2006 and 88/2008) and the Law on Agriculture and Rural Development (Official Gazette of the RM No.134/2007). Pursuant to the Law on Tobacco and Tobacco Products a number of bylaws have been adopted: Rulebook on the premises for purchase, storage, keeping and industrial processing of tobacco, equipment for purchase and industrial processing of tobacco and suitable premises for storing processed tobacco, Rulebook on the form, the contents and the manner of issuing cardboard for tobacco production, Guidelines on the manner of application, the form and the contents of the application form for the arranged tobacco production, Rulebook on form and the contents of the application form for entry into the Register of tobacco purchasers (Official Gazette of the RM No. 10/07); Rulebook on the form, the contents and the manner of keeping the Register of tobacco purchasers, Rulebook on the measurements for qualitative and quantitative assessment of raw tobacco leaves and Guidelines on the form, the contents and the manner of keeping register for assessment of raw tobacco leaves quality assessment (Official Gazette of the RM No. 16/07); Rulebook on the form and the contents of the license for tobacco assessment and the manner and programme for taking the exam for obtaining a license for tobacco assessment (Official Gazette of the RM No. 21/07); Rulebook on the form and the contents of the application form – Request for permitted additives for tobacco products (Official Gazette of the RM No. 56/07); List of permitted additives (Official Gazette of the RM No. 56/07); List of forbidden additives (Official Gazette of the RM No. 56/07 and 61/07).

The legal framework regulating the market of beef, milk and dairy products, poultry and eggs, pork and mutton and goat meat is determined by several laws – the Law on Agriculture and Rural Development, (Official Gazette of the RM No. 134/07), the Law on Veterinary Health (Official Gazette of the RM No. 113/07), the Law on Public Veterinary Health (Official Gazette of the RM No. 114/07) and the Law on Livestock Breeding (Official Gazette of the RM No. 7/08), which are partly aligned with the EU legislation.

Moreover, in June 2007 a Strategy for the Development of Agriculture and Rural Development for the period 2007-2013 was adopted, which defines the guidance, measures and activities for the future development of the abovementioned products as well as the manner of their market organisation.

INSTITUTIONAL FRAMEWORK

Within the Ministry of Agriculture, Forestry and Water Economy the following bodies and organisational units are competent to prepare the legislation and to implement the measures regarding the market organisation of agricultural products of animal and plant origin:

- Sector for Agriculture, Unit for Grape and Wine Production; Unit for Crop production; Unit for Fruit and Vegetable Production, Unit for Livestock Breeding;
- Sector for Agricultural Policy Analysis; Unit for Following the Markets of Agro-Food Products; Unit for Agricultural Policy Analysis;
- Veterinary Directorate; and
- State Agriculture Inspectorate.

Apart from the Ministry of Agriculture, Forestry and Water Economy, the following institutions/bodies are competent for the organisation and/or implementation of the common organisation of the markets of agricultural products:

- Food Directorate (Ministry of Health),
- Faculty of Veterinary Medicine – Skopje,
- Institute for Livestock Breeding – Skopje,
- PSI Institute of Agriculture – Skopje,
- PSI Tobacco Institute – Prilep.

Regarding the institutional capacity building of bodies involved in the market organization of agricultural products of animal and plant origin, the following has been achieved:

- Complete computer equipment has been procured for establishing the National Vineyard Register on the whole territory of the Republic of Macedonia, including software,

- Necessary laboratory equipment has been procured for the reference laboratory of the PSI Institute of Agriculture – Skopje, for carrying out oenologic examinations and analyses,
- Necessary computer equipment has been procured for establishing the Agriculture Market Information System (AMIS) at state level,
- Software has been developed for recording the production and purchase of tobacco.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

Regarding the Common Market Organization of *agriculture products* of plant and animal origin, certain activities of legislation approximation are initiated and advanced taking careful consideration of the developments within the EU, especially in terms of enacting the single CMO Regulation and the Health Check of the Common Agricultural Policy and the subsequent modernization and simplification of the CAP. In this respect, several products, selected relating to their importance and participation within the overall agriculture production in the Republic of Macedonia, are foreseen to be regulated within the CMO frame. Namely, the following plants and products of plant origin (cereals and rice, fresh fruits and vegetables and live trees, other plants, rhizomes, roots, cut and decorative flowers) and products of animal origin (beef and veal; poultry and eggs; pork meat and sheep and goat meat) are foreseen to be regulated within 2009.

However, due to the current reform of the CMOs and CAP (decreasing or abolishment of market interventions, phasing out of the production quotas, decoupling of coupled payments and premia), and taking into consideration that some of the features of the CMO rules and measures are not applicable to the Republic of Macedonia (due to the membership in the WTO, export subsidies are not applicable in the Republic of Macedonia and will most probably be even abolished within the EU as of 2013) or some features will only be relevant and sensible very nearly upon our accession to the EU, it is decided, within the approximation process to pay particular attention to the following areas of the CMO – *marketing standards, producer organizations and market information system*.

The abovementioned approach and methodology will be materialized through enactment of the following basic acts:

- *Law on quality of agriculture products*, regulating the basic production requirements, marketing standards and consumer information, aligned with the current EU standards under the various CMOs, and higher value-added farming attributes, primarily through the establishment of the quality schemes and 'quality logos' similar to the EU ones - PDO/PGI and TSG.
- *Law on producer organizations*, regulating the establishment of producer organizations in the agriculture, their Operational Programmes and Quality improvement plans, as well as measures to encourage growers to join Producer Organisation, and
- *Decree on Agriculture Market Information System*, defining the information needed, methodology of its collection by all market participants, as well as methodology of data entry and data aggregation.

The aforesaid acts, including bylaws based on them, are foreseen to be enacted by October 2009.

With regard to specialised crops, in the period until March 2009 the adoption of a Strategy for Marketing of Macedonian Wine, as well as amendments and consolidations of the Law on Wine (Official Gazette of the Republic of Macedonia 69/2004 and 89/2008) has been envisaged. These amendments and consolidations aim at incorporated into the Law on Wine:

- the amendments of the EU Common Market Organisation (CMO) for wine that were adopted in April 2008,
- provisions that have so far in the adoption of bylaws proved to be missing in the adoption of rulebooks that are fully functional and aligned with the EU Common Market Organisation (CMO) for wine, and
- other provisions of legal and technical nature that have so far in the previous application of the Law on Wine proved to be missing.

After the adoption of the amendments and consolidations of the Law on Wine, the revision of all previously adopted bylaws has been envisaged, i.e. to adopt rulebooks for their amending or to adopt completely new rulebooks, whereas in the period until December 2009 the adoption of a Rulebook Amending the Rulebook on determining the geographical areas planted with vines in order to protect the origin of wine in the republic of Macedonia, the list of protected wine names with geographical indication and rules pertaining to delineation of its production areas, for the purposes of dividing and marking the areas in the Republic of Macedonia suitable for the production of wines with a geographical indication and adopting rules for their production in accordance with the standards valid in the EU has been envisaged.

INSTITUTIONAL FRAMEWORK

Regarding the organisation of markets of agricultural products of plant origin, strengthening of relevant Units within the Sector for Agriculture and the Sector for Agricultural Policy Analysis has been envisaged with new employments in 2009. Regarding the inspection supervision over the implementation of measures within the market organisation of agricultural products, strengthening

of the State Agriculture Inspectorate with new employments in 2009 has also been envisaged. In addition, procurement of computer equipment and establishment of a system for data management within the market information system has been envisaged.

Regarding the CMO for wine, strengthening of the Unit for Grape Growing and Wine Production with appropriate new employments in 2009 has been envisaged, as well as strengthening of the staff of MAFWE's Regional Branches in which the Register has been established. In addition, the State Agriculture Inspectorate will be suitably strengthened during 2009. Training for all newly employed persons to upgrade their capacities as well as training for inspectors employed in the State Agriculture Inspectorate to specialize in the areas of grape growing and wine production has been also envisaged. The territorial database of the National Vineyard Register will be completed in June 2009, which will allow for full functionality of the National Register until the end of 2009.

Regarding tobacco, strengthening of the Unit for Crop production has been envisaged, Sector for Agriculture (SA) with new employments in 2009 and strengthening of the staff of the State Agriculture Inspectorate. In this period additional computer equipment will be procured to fully establish the system for data management for the purposes of control of raw tobacco production and purchase.

Regarding the market organisation of agricultural products of animal origin, strengthening of relevant Units within the Sector for Agriculture and the Sector for Agricultural Policy Analysis in 2009 has been foreseen. Regarding the inspection supervision over the implementation of measures within the market organisation of agricultural products, strengthening of the State Agriculture Inspectorate with new employments in 2009 has also been foreseen.

MID-TERM PRIORITIES

LEGAL FRAMEWORK

Regarding products of plant and animal origin as well as specialized crops, in the medium run the adoption is envisaged of bylaws that will regulate the area of market organisation, as follows:

- Dried livestock fodder (June 2010)
- Milk and dairy products market (2010),
- Sugar market (2010/11)
- Other products which are not subject to market organisation (2010/11).

In addition, the adoption of possible additional bylaws aligned with the changes in CMO of agricultural products within the EU has been anticipated.

Until the end of 2010 the adoption of amendments to the Law on Tobacco and Tobacco Products has been foreseen, in order to organise the market of raw tobacco, producer organisations (groups) and contracts in the tobacco sector as well as the adoption of legal acts that will regulate the work of the producer organisations in the tobacco sector and the institutions for tobacco control.

INSTITUTIONAL FRAMEWORK

Regarding the organisation of markets for agricultural products of plant and animal origin, strengthening of relevant Units within the Sector for Agriculture and the Sector for Agricultural Policy Analysis in 2010 has been envisaged. Regarding the inspection supervision over the implementation of measures within the market organisation of agricultural products, strengthening of the State Agriculture Inspectorate in 2010-2011 has been envisaged. Regarding the CMO for wine, strengthening is envisaged of the staff of the Unit for Grape Growing and Wine Production in the period 2010-2011, as well as strengthening of MAFWE's Regional Branches in which the Register is being established and of the State Agriculture Inspectorate in the same period. Training is envisaged for all newly employed persons to upgrade their capacities.

Regarding the CMO for raw tobacco, strengthening is envisaged of the staff of the Unit for Cereal Growing, Sector for Agriculture (SA) in 2010 and 2011 and strengthening of the State Agriculture Inspectorate.

FOREIGN ASSISTENCE

- Project for Strengthening the Agriculture and EU Accession (World Bank loan)
- Delegation of the European Commission (European Agency for Reconstruction) (CARDS, 06MAC/01/08/104 – National Vineyard Monitoring and Management System – Phase II (15.06.2009 inclusive),
- Development of the Administrative Capacity to Adopt and Implement the Acquis in the agricultural sector – a project financed by EU pre-accession assistance for 2008, 1st Component (IPA-TAIB).
- Institutional Building of the Administrative Capacities for Agriculture and Rural Development Policy Implementation – a project financed by EU pre-accession assistance for 2009, 1st Component (IPA-TAIB).

3.11.3 RURAL DEVELOPMENT

CURRENT SITUATION

LEGAL FRAMEWORK

Regarding the *EU pre-accession assistance for rural development (IPARD)*, the IPARD Programme was adopted with a Commission Decision on 25.02.2008. During 2008 the first regular modification of the IPARD Programme was prepared, which was adopted by the Committee for Rural Development of the EC on 23.09.2008. The modification included the funds for IPA Component V for 2010 and technical adjustments of the terms necessary for the implementation of the IPARD Programme. On 23.10.2008 a Sectorial Agreement on the rules for using the EU instrument for pre-accession assistance for rural development - IPARD Sectorial Agreement⁹ was signed. The Sectorial Agreement has been ratified by the Assembly of the Republic of Macedonia and published in the Official Gazette of the Republic of Macedonia No. 165/2008. In addition, the Government of the Republic of Macedonia has adopted a Decree determining mutual relations between the bodies and structures for the purposes of decentralised management of the Fifth Component of the Instrument for Pre-Accession Assistance (IPA) of the European Union (Official Gazette of the Republic of Macedonia No. 144/2008) which defines the bodies and structures for the purposes of decentralised management of the fifth component of the Instrument for Pre-Accession Assistance (IPA) of the European Union and the provisions for regulating their mutual relations.

For the purposes of meeting the requirements for accreditation of the Sectorial Agreement, the IPARD Programme Managing Authority and the IPARD Agency have prepared a final package of internal procedures and working manuals that were submitted to NAO on 19.11.2008 in order to begin the audit of the compliance of the operating structure with the accreditation criteria for the purposes of national accreditation.

National financing of the rural development measures is implemented with the implementation of the measures of the Programme for Financial Support to Rural Development. The Programme for Financial Support to Rural Development for 2008 was adopted on 18.02.2008 (Official Gazette of the Republic of Macedonia No. 18/2008) as well as appropriate amendments in accordance with the Decree on implementing the Rural Development Policy (Official Gazette of the Republic of Macedonia No. 54/2008) and the amendments of the Programme for Fund Allocation in accordance with the report on the implementation of the Programme of the Agency for Financial Assistance to Agriculture and Rural Development (Official Gazette of the Republic of Macedonia No. 54/2008). For the first time in 2008 the Programme for Financial Support to Rural Development was implemented in accordance with the selection criteria, that is, the ranking system published in the Decree, including the indicators for monitoring the success in the implementation.

In order to implement the rural development policy correctly, both from the point of view of the National Programme and the implementation of the IPARD Programme (particularly the measure for diversification of economic activities in rural areas), a Decree on the criteria for defining rural areas (Official Gazette of the Republic of Macedonia No. 137/2008) has been adopted and a List of rural areas in the Republic of Macedonia (Official Gazette of the Republic of Macedonia No. 154/2008) has been published.

INSTITUTIONAL FRAMEWORK

The Sector for Rural Development within MAFWE is competent to implement a coherent rural development policy as well as to integrate various programmes and initiatives for the development of rural areas in the Republic of Macedonia. Currently, a total of 12 persons are employed in the sector as well as additional 8 on a temporary basis. During 2008 a staff training plan was developed and some training sessions were implemented with donor assistance.

In addition, for the purposes of implementing the *EU pre-accession assistance for rural development (IPARD)*, within the Rural Development Sector an IPARD Programme Managing Body was established with a Decision of the Minister on 28.02.2008. The IPARD Programme Managing Body consists of two Units (Unit for Programming EU Pre-Accession Funds for Rural Development and Unit for Rural Development Programme Monitoring and Evaluation). In order to cover the functions of the IPARD Programme Managing Body according to the Sectorial Agreement, amendments in the Rulebook on MAFWE Organisation and Work and the Rulebook on MAFWE Systematisation on 26.08.2008 and 05.11.2008 were made, where the names of the two Units were changed and a third one was added to divide the responsibilities (Unit for IPARD Funds Implementation Monitoring and Reporting, Unit for IPARD Funds Programming and Assessment and Unit for IPARD Funds Technical Assistance Implementation). Based on that a new Decision of the Minister was adopted on 25.11.2008 establishing the Managing Body. The IPARD Programme Managing Authority is managed by a Managing Body, appointed by the Government of the Republic of Macedonia on 18.11.2008.

⁹ Agreement between the government of the Republic of Macedonia and the Commission of the European Communities on the rules for co-operation concerning EC-financial assistance to the Republic of Macedonia and the implementation of the assistance under Component V (IPARD) of the Instrument for Pre-Accession Assistance (IPA)

Regarding IPARD Programme monitoring during 2008 two meetings were held of the IPARD Programme Monitoring Committee (on 27.05.2008 and 28.11.2008). On the first meeting IPARD Programme modifications were adopted together with the selection criteria and a draft IPARD Programme Communication Plan. On the second, i.e. autumn meeting of the IPARD Programme Monitoring Committee the annual activities for the IPARD Programme implementation were presented together with the preparations for the accreditation of the IPARD structures and publicity activities.

During 2007/2008 two meetings were held of the Inter-sectoral Body for Rural Development (on 28.09.2007 and 08.02.2008). On the meetings the rural development policies implemented by various institutions were presented for the purposes of activity coordination.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

Regarding the *EU pre-accession assistance for rural development (IPARD)*, the adoption of the first modification of the IPARD Programme with a Decision of the European Commission at the beginning of 2009 has been foreseen, as well as the adoption of the second regular modification of the IPARD Programme and appropriate amendments to the bylaws on IPARD Programme implementation. Regarding the accreditation process, revision of internal procedures and working manuals of the Managing Body has been envisaged in order to insert the comments of the auditors during their mission for establishing compliance before accreditation (from 27.11-15.12.2008). In 2009 signing of the financial agreement for the implementation of the IPARD Programme has been envisaged as a part of the process for transferring the right to manage the EU funds (accreditation). In order to provide a legal framework for the implementation of the IPARD Programme through the Budget of the Republic of Macedonia (governmental development sub-programme MD – Rural Development, category 48 – Capital Expenditure), a Programme for Agriculture and Rural Development will be adopted within the EU Instrument for Pre-Accession Assistance for Rural Development (IPARD) for 2009 and a Decree on implementing the EU Instrument for Pre-Accession Assistance for Rural Development (IPARD).

As a prerequisite for effective and efficient IPARD Programme management activities for establishing a system for monitoring and evaluation of the implementation of the IPARD Programme has been envisaged, which needs to be fully functional before the start of the IPARD Programme implementation. The process of regular reporting on the progress in the IPARD Programme implementation, which is one of the basic functions of the Managing Authority, depends on the functioning of this system.

For the purposes of implementing the Technical measure of the IPARD Programme in 2009, intensive activities for preparations of the accreditation of this measure will begin by the beginning of 2010 at the latest. To this end preparation the appropriate internal procedures for the implementation of the measure both by the Managing Body and by the Agency for Financial Support to Agriculture and Rural Development has been envisaged.

Regarding timely information of IPARD funds beneficiaries about the IPARD Programme opportunities, in 2009 publicity activities for the implementation of a campaign will be intensified. The campaign will be launched in accordance with the Annual Plan for Public Communication on the IPARD Programme 2009, prepared on the bases on the Strategy for Public Communication (IPARD Programme Publicity) 2007-2013.

Regarding *national financing* of rural development measures, in 2009 the adoption of a number of bylaws that regulate the area has been envisaged. Notably, the following will be adopted: a Decree on the criteria for establishing the areas with limited potentialities for agricultural activity¹⁰, acts regulating the opportunities for introducing additional activities in family agricultural holdings such as a Decree on the types of activities that may be undertaken as additional activities of family agricultural holdings and their scope, a Rulebook on the technical training and appropriate technical equipment for performing an additional activity in a family agricultural holding and a Rulebook on the form and the contents of the decision for performing an additional activity in a family agricultural holding and the manner of keeping records of performers of additional activities in accordance with the Law on Agriculture and Rural Development (Official Gazette of the Republic of Macedonia No. 134/2007). To respect the multifunctional character of the agricultural activity and to provide a legal framework for the implementation of the agriculture and rural development policies respecting environmental protection, a Code of Good Agricultural and Hygiene Practice will be adopted. In addition, the Programme for financial support to rural development for 2009 will be adopted and implemented, as well as the amendments to the Decree of the Government of the Republic of Macedonia implementing the rural development policy according to the Programme.

Regarding preparations for introducing agro-environmental measures as measures for agricultural activity beneficial for the promotion of the environment and the rural areas according to the Law on Agriculture and Rural Development (Official Gazette of the Republic of Macedonia No. 134/2007), the preparation of an Agro-Environmental Plan is envisaged to prepare the institutions

¹⁰ The list of areas with limited potentialities for agricultural production will be fully prepared in the medium run due to the previous analyses necessary for determining the areas.

and the legal framework for the implementation of the measures and to plan them in the medium run. This activity is implemented with technical support from CARDS 2006 "Project for Establishing IPARD".

To overcome the unfavourable infrastructure for the knowledge propagation and modern practices of agricultural production as well as opportunities for generating additional income by performing additional activities, during 2009 the preparation of agricultural producers' training needs analysis is envisaged in accordance with the opportunities provided by the rural development policy and a preparation of a Programme for Education and Training of agricultural producers.

INSTITUTIONAL FRAMEWORK

From an institutional aspect, amendments to the systematisation of the Sector for Rural Development are envisaged in 2009, in order to provide working posts for the implementation of the legal framework regulating the additional activities for family agricultural holdings, but also to meet the accreditation criteria of the IPARD Programme Managing Body and to strengthen it with additional employments. Either appropriate training and/or upgrading for the newly employed persons is planned as well as establishment of systems for monitoring the implementation and impact assessment of the rural development measures.

The IPARD Programme Monitoring Committee will be officially established by the middle of 2009 and it will continue meeting at least twice a year.

In addition, IPARD Programme Evaluation Managing Committee will be established as a part of the establishment of the system for monitoring and evaluation of the IPARD Programme, which will meet at least twice a year. To undertake coordination activities for IPARD Programme communication and promotion, at the beginning of 2009 a Working Group will be established for the coordination of the IPARD Programme information and publicity activities, which will also monitor the preparation of the Communication Strategy and Plan as well as its implementation and will hold regular monthly meetings.

With regard to the coordination of rural development policy and measures undertaken by various institutions, in 2009 the work and meetings of the Inter – sectoral Body for Rural Development will be intensified. At the beginning of 2009 amendments to the Decision establishing the Inter – sectoral Body for Rural Development and amendments to the Resolution designating members of the Inter – sectoral Body for Rural Development are envisaged, in order to involve new complementary institutions and their representatives.

With a view to strengthening the *partnership*, at the end of 2009 a pilot rural network will be established in the Republic of Macedonia.

MID-TERM PRIORITIES

LEGAL FRAMEWORK

With a view to implementing the *EU Pre-Accession Assistance for Rural Development (IPARD)* foreseen annual amendments of the Programme (2010, 2011) will be implemented, where the amendments foreseen for 2011 will extend the measures of the IPARD Programme to new types of investments in accordance with the Multiannual Indicative Planning Document and according to the strategic objectives of the Government of the Republic of Macedonia regarding the utilisation of EU funds through the fifth IPA Component for the period 2009-2011, adopted on the eleventh closed session held on 21.10.2008. In 2010 the activities for the current evaluation of the IPARD Programme implementation will begin, where at the end of 2010 the first Annual Report on the IPARD Programme Implementation Evaluation will be prepared so that in the middle of 2011 the first Annual Report on the IPARD Programme Implementation Progress will be submitted to the European Commission, containing the results of the monitoring and evaluation of IPARD Programme Implementation in the first full calendar year since the start of implementation.

IPARD Programme public communication will be implemented on the basis of the preparation of regular annual plans for IPARD Programme public communication in 2010 and 2011.

Regarding *national financing* of rural development, the Programmes for financial support of rural development for 2010 and 2011 will be adopted, as well as appropriate amendments to the Decree on implementing the rural development policy. Regarding the adoption of legal acts of the Law on Agriculture and Rural Development (Official Gazette of the Republic of Macedonia No. 134/2007) the following acts are envisaged: A Rulebook on the technical conditions that a particular agricultural machinery and equipment should meet and the necessary training of the users, a Rulebook on the manner of registration of producer organisations in the Register of Producer Organisations and a Rulebook on the manner of registration of organisations for the production, processing and sales of agricultural products in the Register of Organisations for the Production, Processing and Sales of Agricultural Products.

To create a basis for a new programming cycle, revision is envisaged of the National Agriculture and Rural Development Strategy 2007-2013 in the part on rural development as well as preparation of a National Rural Development Programme for 2010-2013.

The list of areas with limited opportunities for agricultural production in 2010 depends to a great extent on the activities undertaken for the analysis of the areas according to the criteria set and the availability of quality data from the established system of land cadastre, climatic conditions, etc.

INSTITUTIONAL FRAMEWORK

In the medium term (at the beginning of 2010 and 2011) amendments of the acts for organisation and systematisation are envisaged in order to include working processes for the implementation of the legal framework on the policy for producer organisations and the implementation of agro-environmental measures. The strengthening of the Sector for Rural Development (MAFWE) will continue with employment and training of additionally employed persons in 2010 and 2011.

The IPARD Programme Monitoring Committee will hold regular meetings for the purposes of improving the Programme, at least twice a year. The IPARD Programme Evaluation Managing Committee as a part of the establishment of the system for monitoring and evaluation of the IPARD Programme will meet as well at least twice a year in the medium term. The Working Group for the Coordination of the IPARD Programme Information and Publicity Activities will continue to monitor on a monthly basis the preparation and implementation of the Annual Plan for IPARD Programme Public Communication for 2010 and 2011. As a result, the work and meetings of the Inter – sectoral Body for Rural Development will be intensified.

FOREIGN ASSISTENCE

Foreign assistance has been provided in the short and medium terms for the successful implementation of the activities envisaged as follows:

- Support to IPARD Preparation (EUROPEAID/126581/SER/MK)
- Macedonian Agriculture Advisory Strengthening Programme – second phase (SIDA)
- Development of the Administrative Capacity to Adopt and Implement the Acquis in the agricultural sector – a project financed by EU pre-accession assistance for 2008, Component I (IPA-TAIB).
- Institutional Building of the Administrative Capacities for Agriculture and Rural Development Policy Implementation – a project financed by EU pre-accession assistance for 2009, Component I (IPA-TAIB).

3.11.4 ORGANIC AGRICULTURE

CURRENT SITUATION

LEGAL FRAMEWORK

Currently, the legal framework is regulated by the Law on Organic Agricultural Production (Official Gazette of the RM No. 16/04), which is aligned with the Council Regulation No. 2092/91. Pursuant to the Law a number of bylaws have been adopted on: plant and animal organic production, organic processing, registers of producers, processors and traders, expert control, labelling, a list of authorised bodies for certification from third countries. In September 2007 the “National Strategy with an Action Plan for Organic Agriculture in the Republic of Macedonia 2008-2011” was adopted.

In addition, during 2008 a Programme was implemented for Promotion and Development of Organic Agricultural Production.

INSTITUTIONAL FRAMEWORK

The overall competence for regulating the area of organic agricultural production in the Republic of Macedonia is with the Ministry of Agriculture, Forestry and Water Economy (MAFWE) – Sector for Agriculture, Unit for Organic Agricultural Production.

The State Agriculture Inspectorate (MAFWE), Ministry of Environment and Physical Planning, Ministry of Economy, Institute for Accreditation of the Republic of Macedonia, Institute for Standardisation of the Republic of Macedonia, National Extension Agency, the Faculty of Agricultural Sciences and Food, PSI Institute of Agriculture, National Union of Organic Associations, accredited bodies for expert control are also involved in the implementation of the measures and activities related to organic agricultural production.

In addition, within the Ministry of Agriculture, Forestry and Water Economy, a Register of legal persons carrying out expert control in organic agricultural production has been established.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

By the end of 2009 it has been envisaged a draft version of a new Law on Organic Agricultural Production with bylaws that will regulate the area of production, processing, labelling, packaging, storing and transport of organic products, authorisation and certification, control systems.

INSTITUTIONAL FRAMEWORK

By the end of 2009, the strengthening of the Unit for Organic Agricultural Production, of the Sector for Agriculture (SA) with new employments and of the State Agriculture Inspectorate is envisaged, as well as trainings for the personnel on institutional level.

Software programs will be complemented within the Single Farm Register in order to record producers of organic agricultural products.

In addition, suitable budget support on annual level through a "Programme for Promotion and Development of Organic Agriculture for 2009" is provided.

MID-TERM PRIORITIES

LEGAL FRAMEWORK

Ongoing alignment of regulations and legal acts regulating the area in national and international legislation on organic production and defining a policy of cooperation with the non-governmental sector.

Preparation and implementation of the Programme for Stimulating and Development of Organic Agriculture for 2010 and 2011.

INSTITUTIONAL FRAMEWORK

Strengthening of the Unit for Organic Agricultural Production, of the Sector for Agriculture (SA) with two persons in 2010 and of the State Agriculture Inspectorate in the period 2010-2011 is envisaged, as well as trainings of the personnel.

FORIGN ASSISTENCE

- Institutional Building of the Administrative Capacities for Agriculture and Rural Development Policy Implementation – a project financed by EU pre-accession assistance for 2009, Component I (IPA-TAIB).

3.11.5 QUALITY POLICY

CURRENT SITUATION

LEGAL FRAMEWORK

The Law on Industrial Property (Official Gazette of the RM No. 47/2002, 42/2003, 9/2004, 39/2006 and 79/2007) regulates the acquisition, exercising and protection of the rights of the industrial property. The Law regulates the protection of geographical names with indication of origin and geographical indication as well as the use of protected geographical names. According to this Law, the protection of non-geographical, traditional names is regulated by provisions which refer to the protection of geographical names. Based on the stated, a Rulebook on the protection of geographical names (Official Gazette of the RM No. 18/04) has been prepared.

In order to align Macedonian legislation with the EU Acquis in the area of quality policy, especially with respect to establish the standards for certain agricultural products of plant and animal origin, as well as to determine and protect their origin and distinctiveness, in 2007 the Law on Agriculture and Rural Development (Official Gazette of the RM No. 134/07) was adopted, which gives the basic framework for adopting possible bylaws that will regulate the policy of agricultural products quality.

In addition, within the framework of the Programme for Promotion of Agricultural Development for 2008 (Official Gazette of the RM No. 30/2008) a measure was envisaged and implemented – Quality and Food Safety Standards, in the amount of MKD 9.200.000,00. Within the framework of the stated, according to point 4.6 *Registration and obtaining the right to use a Geographical indication (GD), Indication of origin (IO) and traditional specialty (TS)*, during 2008 a study was prepared and the Macedonian product "ajvar" was protected under the name "Macedonian ajvar" on the territory of the Republic of Macedonia, as a complement to the previously protected products – "Kochani rice", "Tetovo beans", "Ohrid tea", "Ovche Pole honey" and five types of cheese. In addition, the Ministry of Agriculture, Forestry and Water Economy will prepare a priority list of agricultural products which have the potential for export and which would be subject to protection and marketing promotion on external markets.

INSTITUTIONAL FRAMEWORK

The State Office of Industrial Property is a body competent for the acquisition, exercising and protection of the right to industrial property, including the protection of geographical name and its use.

Regarding agriculture, with the latest amendments to the systematisation of the Ministry of Agriculture, Forestry and Water Economy, within the Sector for Agriculture a new organisational form was established, which will deal only with quality and the protection of quality of agricultural products – Unit for Standards and Quality of Agricultural Products. During 2008 one person was employed – a Unit Manager.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

During 2009, based on the abovementioned priority list, the preparation of studies and the protection of 5-6 agricultural products is envisaged. In the same period, within the Programme for Stimulating the Agricultural Development, a measure will be implemented again devoted to quality and food safety standards and the list of priority products for the protection of origin will be upgraded.

INSTITUTIONAL FRAMEWORK

In 2009 strengthening of the State Office of Industrial Property (see Chapter 3.7) is envisaged.

Within MAFWE, strengthening of the Unit for Standards and Quality of Agricultural Products is envisaged, with 2 persons in order to monitor agricultural products with protected origin and strengthening of the cooperation with the State Office of Industrial Property.

MID-TERM PRIORITIES

LEGAL FRAMEWORK

During 2009 a new Law on Industrial Property and a Rulebook on geographical names will be prepared. In this time period, extension of the List of priority agricultural products for the protection of their geographical names is envisaged, preparation of studies and protection, as well as preparation and implementation of a Programme for Quality and Food Safety Standards for 2010 and 2011.

INSTITUTIONAL FRAMEWORK

Strengthening of the State Office of Industrial Property (see Chapter 3.7). Within MAFWE, strengthening of the Unit for Standards and Quality of Agricultural Products with new employments in 2010 is envisaged, as well as training and upgrading of the newly employed persons in the area of protection of geographical names and agricultural products quality.

In addition, within MAFWE the implementation of a Twinning project for administrative cooperation between MAFWE and an EU Member State for the purposes of legal alignment and institutional set up of systems for the development and protection of the quality of agro-food products is envisaged, as well as establishment of records of products that meet certain quality standards and/or have protection of origin and/or a geographical/traditional name.

FORIGN ASSISTENCE

- Institutional Building of the Administrative Capacities for Agriculture and Rural Development Policy Implementation – a project financed by EU pre-accession assistance for 2009, 1st Component (IPA-TAIB).

3.12 FOOD SAFETY, VETERINARY AND PHYTOSANITARY POLICY

3.12.1 GENERAL

CURRENT SITUATION

LEGAL FRAMEWORK

The main goal of the food safety policy of the Republic of Macedonia is the development of integrated approach to the food safety control according to the principle "from field to table", i.e. control of all food production phases.

The Law on Food Safety and Products and Materials in Contact with Food (Official Gazette of the Republic of Macedonia 54/02) is a basic legal act that regulates the terms and conditions for ensuring the food safety and the products and materials in contact with food in the production and on the market, the rights and the obligations of natural and legal persons producing and placing on the market food in order to protect the human health, to protect consumers against fraud and to provide free circulation in the internal and external market. The law was approximated to the following EU legal measures: 32002R0178, 31997R0258, 32000L0013, 32001L0018.

The Law Amending the Law on Food Safety and Products and Materials in Contact with Food was published in the Official Gazette of the Republic of Macedonia No. 84/2007. The reason for adopting the amendments to this Law is the completion of harmonisation of the Law with the EU measures: 32002R0178, 31997R0258, 32000L0013, 32001L0018.

Also, the Law on Public Veterinary Health (Official Gazette of the Republic of Macedonia No. 114/07) represents a framework law for food safety from the aspect of foodstuff of animal origin. All the relevant provisions from the Regulation 178/2002, as well as from the Regulations from the hygiene package for food safety are transposed in this Law.

Strategic Documents Adopted by the Government of the Republic Macedonia:

- Food Safety Strategy of the Republic of Macedonia for the period 2007-2012.
- Strategic Plan of the Food Directorate for 2008-2010.
- Annual Working Report of the Food Directorate for 2007.
- Annual Monitoring Programme for Food Safety in the Republic of Macedonia for 2008 (Official Gazette of the Republic of Macedonia No. 41/08)
- Annual Plan and Annual Working Programme of the Food Directorate.

INSTITUTIONAL FRAMEWORK

The system for safety and control of food in the Republic of Macedonia falls within the competence of several state administrative bodies: the Food Directorate within the Ministry of Health, Veterinary Directorate, Phytosanitary Directorate, Seed and Planting Material Directorate and State Agriculture Inspectorate within the Ministry of Agriculture, Forestry and Water Economy.

Preparatory activities have been undertaken for establishing a competent authority for veterinary and food safety as recommended by the European Commission.

The Food Directorate is a contact point for the Rapid Alert System for Food and Feed for the Republic of Macedonia. The obligation of the Food Directorate through the Sector for Risk Analysis where the Unit for risk management and information operates, is to process and forward the alert notifications received from the European Commission in Brussels for hazardous food products that are placed on the markets in the Republic of Macedonia or are produced in the Republic of Macedonia and placed on the EU markets.

The Unit for risk management and information, pursuant to the Procedure for Risk Management upon Alert Notification of the European Commission for hazardous product, selectively forward such information:

- in case of foodstuff that is not of animal origin, the received information is forwarded to the state food inspectors in order to conduct official control, undertake measures for preventing the circulation on the market or withdraw from circulation the unsafe food;
- in case of foodstuff of animal origin, the alert notification is sent to the Veterinary Directorate - MAFWE, i.e. to the veterinary inspectors who subsequently undertake measures for preventing the circulation in the market or withdraw from circulation the unsafe food.

The Food Directorate informs the European Commission Office in Skopje about the conducted controls and the measures undertaken by the State Food Inspectors upon the alert notifications.

In case of unsafe product that was placed on the market of the Republic of Macedonia, the general public is also informed about the activity undertaken by the inspection offices.

The Food Directorate through the Unit for risk management and information within the Sector for Risk Analysis follows, processes and forwards the weekly notifications (notification about information) from the web site of DG SANCO - RASFF, about unsafe food product to the Sector for Inspection Supervision in the Food Directorate and about unsafe food of animal origin and feedings to the Veterinary Directorate for the purpose of undertaking prompt activities for preventing possible danger from import of unsafe food.

A contact person is nominated from the Food Directorate who will have access to confidential information from DG SANCO – RASFF on a daily basis, upon request by the European Commission Office in Skopje.

Information from the annual processing of data by RASFF is used in the comparative analysis, that are subsequently used for planning the annual programme for monitoring the food products in the Republic of Macedonia.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

In the course of 2009, an action plan is to be prepared with regard to the competent bodies for food safety and drafting of amendments to the legal framework in this area pursuant to the recommendations given by the Subcommittee for Agriculture and Fisheries. The short-term future activities of institutions covered by Chapter 12, i.e. the Ministry of Health, Food Directorate, Ministry of Agriculture, Forestry and Water Economy, Veterinary Directorate will be focused on preparing a single Law on Food Safety. The new Law shall regulate the following key elements: delegation of a single body for food safety, clearly defined competencies, risk based procedures, placing on the market, approval/registration of food operators, import/export of food, possibility for monitoring, precautionary principle, emergency reporting, crises management and measures in emergency cases, and costs and fees for the activities regulated with this Law. Pursuant to the Law on Public Veterinary Health, adoption of a bylaw is envisaged, which will regulate the amount and the method of payment for analysing the samples of animal origin during official controls. (See 3.12.3 Short-Term Priorities, Legal Framework).

INSTITUTIONAL FRAMEWORK

The key activities of institutions referred to in Chapter 12, which are actually competent for establishing, maintaining and upgrading the integrated approach to the system for food safety control, during 2009 will be focused on establishing a competent authority for food safety.

As regards the RASFF, data from the Food Directorate inspectors and from the Veterinary Directorate inspectors concerning the unsafe food produced or determined as such during the control of food in the course of import in the Republic of Macedonia at the moment are not collected nor sent to the RASFF of the European Commission – i.e. no system for information has been established whatsoever that could be added to the RASFF system of the EU. To that end, several activities are planned:

- Study visit for establishing the RASFF system procedures - supported by TAIEX and
- Assistance has been requested from USAID for a project through which an application software will be established for RASFF system and connection of the regional units of inspection offices from the Food Directorate and the Veterinary Directorate into a network. Also assistance was requested for trainings for the inspectors for use of the software with the aim of overcoming this gap in the system for food safety in the Republic of Macedonia.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

It is expected that by 2010 the new, single framework Law on Food Safety will start to be implemented.

INSTITUTIONAL FRAMEWORK

It is expected that in 2010 the new competent authority for food safety will be established and put into operation, which will unite the existing competent institutions for food safety control.

3.12.2 VETERINARY POLICY

CURRENT SITUATION

LEGAL FRAMEWORK

During 2008, a large number of bylaws in different areas were adopted, arising from the laws that regulate the veterinary policy, which are harmonised with the relevant measures of the European legislation. Pursuant to *the Law on Veterinary Health* (Official Gazette of the Republic of Macedonia No. 113/07), several bylaws were adopted in different areas:

A. In the area of import control system, the following rulebooks were adopted:

- Rulebook on the manner and procedure for import and transit, performing check-up and inspection during import and transit of animals, products and by-products of animal origin (Official Gazette of the Republic of Macedonia No. 129/08): where the following EU measures have been transposed: 32004R0282; 32004L0136; 32002D0025; 31997D0794; 32005L0001; 31997R0338; 31991L0496; 31997L0078; 32007R0722.
- Rulebook on the manner of performing check-up and inspection at VIP – Veterinary Inspection Posts at the Border Crossings of shipments of animal origin entered as personal luggage of passengers, intended for personal use or non-commercial purposes (Official Gazette of the Republic of Macedonia No. 36/08), where the following EU measures have been transposed: 32004R0745; 32004R0136; 31997L0078;
- List of products and by-products of animal origin that are not subject to inspection during import by official veterinarians at border crossings (Official Gazette of the Republic of Macedonia No. 30/08) where the following EU measures have been transposed: 32007D0275; 32004R0745.

B. In the area of *pets*, the following by-laws were adopted:

- Rulebook on the manner and procedure for import and transit, performing check-up and inspection during import and transit of pets of the types of birds that are not intended for trade or transfer to other persons and are accompanied by the owner or the responsible person and the form and contents of the veterinary and health certificate and the passport (Official Gazette of the Republic of Macedonia 102/08) where the Directive 32007D0025 has been transposed. ;
- Rulebook on the manner and procedures for import and transit and the manner and procedures for performing checkups and inspection of shipments of pets not intended for trade or for transfer to other persons and that are accompanied by the owner or the responsible person, as well as the form and contents of the veterinary and health certificate or other document that accompanies them (Official Gazette of the Republic of Macedonia no. 102/08) where the following EU measures have been transposed: 31990L0539, 32003R0998, 32003D0803, 32005D0091, 3204D0824.

C. In the area of *identification and registration of animals*, pursuant to the *Law on Animal Identification and Registration* (Official Gazette of the Republic of Macedonia No. 54/05 and 81/07), the Rulebook on identification and registration of sheep and goats (Official Gazette of the Republic of Macedonia No. 58/08) was adopted. The following measures have been transposed for this Rulebook: 32004R0021; 32006R1505.

D. In the area of *welfare of animals*, pursuant to the *Law on Animal Welfare and Protection*, the Rulebook on welfare and protection of animals during slaughter (Official Gazette of the Republic of Macedonia No. 58/08) was adopted, where the Directive 31993L0119 has been transposed.

E. In the area of *control measures for animal diseases*, the Programme for prevention and eradication of Bovine Tuberculosis – TBC (Official Gazette of the Republic of Macedonia No. 22/07) was adopted and implemented. It is harmonised with 31964L0432, 31997L0012 and 32002D0677; Programme for prevention and eradication of Bovine Brucellosis (Official Gazette of the Republic of Macedonia No. 22/07) was adopted and harmonised with 31964L0432, 31997L0012 and 32002D0677 and the Programme for control and eradication of brucellosis in sheep and goats (Official Gazette of the Republic of Macedonia No. 59/08) was prepared pursuant to 31964L0432. A Programme for prevention and eradication of transmissible encephalopatia - TSE (Official Gazette of the Republic of Macedonia No. 22/07) was adopted and harmonised with 32001R0999, then the Programme for prevention and eradication of Avian Influenza (Official Gazette of the Republic of Macedonia No. 82/07) was harmonised with 32005L0094 and the Programme for prevention and eradication of Blue Tongue disease (Official Gazette of the Republic of Macedonia No. 104/07) was harmonised with 32000L0075. In the area of the legislation related to internal circulation in the EU with live animals, semen, ova and embryos from health point of view, the Rulebook for placing on the market semen for artificial insemination of bovine animals (Official Gazette of the Republic of Macedonia No. 143/08) was adopted, where the Directive 31988L0407 has been transposed.

F. With regard to the *prohibition for use of substances and control of residues*, the Republic of Macedonia conducted a Monitoring Programme for control of residues from certain substances, veterinary medications and contaminants in live animals and foodstuff of animal origin according to the requirements of the Council Directive 96/23 from 2002, as last amended with Directive 104/2006. As every year, the Monitoring Programme for the current year together with the results from the previous year are submitted to the European Commission for approval and it is subject to approval for products of animal origin that are exported in the EU member countries, which is published in the Decision 2004/432 (as last amended with the Decision 2008/772).

G. With regard to the *veterinary costs* i.e. the distribution of budget assets for 2008 for the activities planned with the veterinary policy according to the Programme for use of funds for animal health (Official Gazette of the Republic of Macedonia No. 22/08) and the Programme for use of funds for public veterinary health (Official Gazette of the Republic of Macedonia No. 21/08), the following costs are covered: costs for protection measures for control and eradication of contagious diseases that are particularly important for the Republic of Macedonia, such as brucellosis in sheep and goats, TBC in bovine animals and realisation of

activities covered by the Monitoring Programme for control of residues from certain substances, veterinary medications and contaminants in live animals and food of animal origin.

INSTITUTIONAL FRAMEWORK

With the latest systematization of the internal organisation in 2008, the Veterinary Directorate was subject to certain structural changes. Namely, with the internal organisation in 2008, new units were established in some Sectors of the Veterinary Directorate: In the *Sector for Animal Health*, in addition to the three existing units (Unit for animal health, Unit for animal welfare, Unit for animal identification and registration), two new Units were established:

- Unit for information and communication support and
- Unit for state veterinary inspection for animal health.

The *Sector for Public Veterinary Health* consists of 5 departments, i.e. Unit for Veterinary and Medical Products, Unit for by-products of animal origin, Unit for animal feed, Unit for food safety and Unit for veterinary inspection in public veterinary health.

The Sector for Border Veterinary Inspection consists of the Unit for border veterinary inspection, Unit for international trade and risk analysis, while the Sector for Normative and Legal Affairs consists of the Unit for veterinary legislation and Unit for legal affairs.

The changes were made with the aim to achieve conformity in the management with the veterinary inspection offices, as well as their division and differentiation of controls per areas for the purpose of achieving efficiency in the management with the veterinary inspection service on the one hand and to establish a control system compatible with the control system of the EU on the other hand. This results in adequate management, direct responsibility of the veterinary inspection services and, consequently, successfully conducted controls pursuant to the high EU standards.

The *information technology* is used to a much greater extent in the Veterinary Directorate, particularly after the introduction of the Veterinary Information System – VIS, i.e. introduction and use of information technology in the veterinary activities subject to official controls. This increases the scope of working tasks and duties in this area, and this was the reason for the establishment of the Unit for information and communication support.

Regarding the strengthening of the administrative capacities of the Veterinary Directorate, at the beginning of 2008, 20 persons with higher education were employed of which 18 at the position of state veterinary inspectors in the local units or at the border crossings, and 2 persons in the Veterinary Directorate within the Sector for Normative and Legal Affairs. Thus, the total number of employees in the Veterinary Directorate reached 146 persons. As of January 2008, 12 Doctors of Veterinary medicine (DVM) were engaged on a contract basis. With the employments during 2008, and the future planned employments, great improvement has been achieved in the area of capacity building of inspection offices on a central and local level, and in the area of establishing a control system compatible with the EU.

During 2008, trainings were organised for all responsible employees in the area of: animal welfare, veterinary inspection examinations at border crossings (practical training at a border crossing in the Republic of Slovenia); identification and registration of livestock and monitoring up to the slaughterhouses; trade facilitation and communication and exchange of information training as a veterinary component for Integrated Border Management; operational procedures during veterinary examination, TRACES and CVED; training for quality management, animal welfare, check-up and eradication of Avian Influenza and the Blue Tongue disease. Trainings were conducted in organisation or in cooperation with various institutions.

In 2008, the Veterinary Directorate and the veterinary inspection services were equipped with the following:

IT equipment: personal computers, printers, scanners, fax machines, multifunctional devices such as PDA devices - portable barcode readers. The latter represent necessary equipment for performing the activities related to the third phase of animal identification and registration, particularly the small ruminants, and

In the area of systems for control of import, architectural designs were developed for the Veterinary Inspection Posts (VIP) at the border crossings – Border Crossing Airport Skopje – Alexander the Great, Tabanovce, Blace and Kafasan, and they are officially approved by the Food and Veterinary Office (FVO). The urban plans are in the phase of change with the aim of obtaining construction approvals. Also, funds were approved by the EC for construction of facilities for VIS at the border crossings Tabanovce and Airport Skopje.

In the area of animal identification and registration, a complete analysis was made of the processes of *identification and registration* of bovine animals and control of movement of bovine animals. The initial marking of small ruminants is ongoing, and it is estimated that more than 95% of the animal population has been marked so far. The marking and the implementation of other

obligations pursuant to the Law on Animal Identification and Registration are the main preconditions for use of funds from the Programme of the Government of the Republic of Macedonia for financial support in the livestock breeding sector.

In the area of control measures for animal diseases, progress has been made in harmonisation with the EU institutional requirements concerning the system for animal health protection. Namely, the veterinary laboratories were accredited according to ISO 17025 standards for a large number of methods for diagnosis of contagious diseases. Veterinary inspectors participated at several trainings in the area of health protection, and on-site simulation trainings were conducted for certain types of diseases. Veterinary inspectors also attended at a large number of international seminars.

Veterinary inspectors participated at several trainings in the area of implementation of the Programme for control and eradication of Bovine Tuberculosis – TBC, and the Programme for control and eradication of Bovine Brucellosis.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

With the aim of implementing the veterinary policy in the light of strengthening the state veterinary service, the Strategic Plan 2009-2011 of the Veterinary Directorate was prepared according to the EU recommendations, within the frames of the strategic plan of the Ministry of Agriculture, Forestry and Water Economy. The Government of the Republic of Macedonia is expected to adopt this Plan.

During 2009, the Law on Veterinary and Medical Products is to be adopted as a separate law in the area of veterinary medicine. The EU measure 32001L0082 is to be transposed with this Law.

By the end of 2009, the remaining acts that are harmonised with the relevant measures from the EU legislation are to be adopted:

1. In respect to the Law on Veterinary Health (Official Gazette of the Republic of Macedonia No. 113/07),

A. In the area of *systems for control of import* the following acts will be adopted:

- Rulebook on the manner and procedure for re-export of products and by-products of animal origin (transposed EU measures: 31997L0078, 3200D0571 and 32005D0092);
- Rulebook on the conditions for registration, approval and supervision of traders and collection centres (transposed EU measures: 31964L0432, 31997L0012);
- Rulebook on the technical and technological conditions that are to be fulfilled for quarantine and the duration in the quarantine, the facilities and their isolation and duration for various types of animals and categories, duration of monitoring and tests that are to be made (transposed EU measures: 32007R0318; 32000D0666; 31992L0065; 32001L0088; 31979D0542);

B. In the area of *control measures for animal diseases* the following by-laws are to be adopted:

- Contingency Plans for undertaking urgent measures in case of occurrence of Foot-and-Mouth disease (transposed EU measures: 32003L0085)
- List of approved laboratories for examination of rabies (transposed EU measures: 32000D0258, 32004D0233);
- Rulebook on mandatory reporting diseases (transposed EU measures: 31990D0638)
- List of animal diseases for which there is a mandatory reporting requirement, manner and procedure of reporting and general measures and procedures for fight against contagious diseases (transposed EU measures: 31982L0894, 32003D0726)
- Rulebook on the rights and obligations of participants in the Surveillance System (used EU measure: 31997L0012, 31964L0432);

C. In the area of *conditions for import of live animals and products of animal origin*

- Rulebook on the conditions for import of live animals as well as list of countries from which import and transit in the Republic of Macedonia is permitted, as well as the form and contents of the relevant certificates (transposed EU measures: 32004L0068, 31972D0542, 31990L0426, 32004D0211, 31990L0539, 3206D0696, 31992L0065, 31992D0260, 31993D0195, 31993D0196, 31993D0197, 31994D0467, 31996D0540, 31992D0340);
- Rulebook on the conditions for import of products of animal origin and transit through the Republic of Macedonia, along with a list of countries from which import and transit are permitted, as well as, the form and contents of the relevant certificates (transposed EU measures: 31992L0118, 32006D0696, 32000D0572, 32007D0777, 32006D0766, 32003D0804, 31979D0542, 32000D0585, 32004D0438, 32005R2074, 31996D0333, 32001D0556, 31999D0120, 32003D0779, 32003D0812, 32004R0282, 32004R0136).

In the course of legislative activities in the area of veterinary policy, the Rulebook on the manner of conducting training and procedure for examination for official veterinarians, official assistants/technicians and authorised veterinarians and their continuous professional development will be adopted. The following EU measures will be transposed in the aforementioned Rulebook: 32004R0882, 32004R0852, 32005R2076, 32004R0854).

2. In the area of *prohibition for use of substances and control of residues* pursuant to the Law on Public Veterinary Health (Official Gazette of the Republic of Macedonia No. 114/07),

- Monitoring Programme and list of zoonosis and zoonotic agents (transposed EU measures: 32003L0099).
3. Pursuant to the *Law on Animal Welfare* (Official Gazette of the Republic of Macedonia No. 113/07),
- Rulebook on welfare and protection of animals used for experimental purposes (transposed EU measures: 31986L0609, 31999D0575);
 - Rulebook on welfare of animals kept for farming purposes (transposed EU measures: 31999L0074, 32002L0004, 31991L0630, 31998L0058, 32006D0779, 32007L0043, 31991L0629) as well as
 - Rulebook on protection and welfare of animals during transport (transposed EU measures 32005R0001).

For the last rulebook, the Veterinary Directorate expects assistance from European Commission experts through the TAIEX expert mission.

INSTITUTIONAL FRAMEWORK

In the course of 2009, it is expected that 20 persons with higher education will be employed to perform activities related to veterinary policy.

With the aim of strengthening the administrative capacity, and in the light of the European integration process of the Republic of Macedonia, the Veterinary Directorate plans to conduct several trainings for its employees in the following areas:

- Trainings for animal health protection (theoretical training, study visit, practical training),
- Trainings for animal welfare (theoretical training, study visit, practical training),
- Trainings for control of veterinary and medical products (VMP) (theoretical training, study visit, practical training),
- Training for drafting legal acts in the area of veterinary pursuant to the EU procedures and practices (theoretical training, study visit, practical training),
- Trainings for quality management system (theoretical training, study visit, practical training).

The development of the software system TRACES like is in the final phase (test phase) and it represents the basis for compatibility with the EU system for control at border crossings. In the area of *animal identification and registration*, measures have been developed that are to be implemented as of January 2009. Their implementation will make the system fully operational; e.g., control of slaughterhouses, cattle markets, trade and implementation of misdemeanour provisions of the Law on Animal Identification and Registration. Smooth implementation of the measures stipulated in the Law on Animal Identification and Registration will be achieved by using budget assets from the Programme for subsidies in the area of livestock breeding.

In the area of *control measures for health protection*, activities for accreditation of other methods are underway, in addition to ISO17025. A new computerised system for information, notification and analysis will be developed.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

During 2010, it is expected that part of the bylaws of the Law on Veterinary Health will be adopted, such as the Rulebook on the requirements for placing on the market of certain animal species and their purpose (transposed EU measures: 31992L0065);

Several by-laws in the area of *control measures for animal diseases*:

- Rulebook on the conditions for the manner of operation of the Veterinary Information System (transposed EU measures: 32004D0292; 32005D0176, 31992D0563, 31997D0394, 32002D0459, 32003D0024, 32003D0623, 32004D0675, 32007D0013);
- Contingency Plan for urgent measures for the African horse sickness (transposed EU measures 31992L0035, 322003R0806, 32006D0911);
- Contingency Plan for urgent measures for the New Castle disease (transposed EU measures 31992L0066, 322003R0806, 32006L0104);
- Contingency Plan for urgent measures for Classical Swine Fever (transposed EU measures: 32001L0089, 32006D0911, 32006L0104);
- Contingency Plan for urgent measures for the swine vesicular disease (transposed EU measures 31992L0060, 31992L0119, 32006L0104, 32007L0010);
- Contingency Plan for urgent measures for fish diseases (transposed EU measures: 32006L0088, 31993L0053, 32000L0027, 32001D0288, 32006L0104).

While in the area of placing on the market of live animals, embryos, ova and semen for fertilisation, in 2010 the following by-laws are going to be adopted:

- Rulebook on the requirements of the health and reproduction status of animals, veterinary and health conditions concerning the correctness of the semen for artificial insemination, ova, and embryos, as well as the manner of keeping records (transposed EU measures: 31992L0065, 31988L0407, 31990L0429, 31989L0556).

- Rulebook on the requirements for reproduction centres and artificial insemination and the manner and requirements for approval of the teams for embryo transfer (31992L0065).

INSTITUTIONAL FRAMEWORK

For the purpose of becoming acquainted with the EU standards and procedures, as well as for the purpose of successful implementation of the relevant veterinary legislation of the Republic of Macedonia, a range of trainings have been envisaged for the newly employed persons. Some of the trainings are continual, i.e. additional trainings for the remaining employees whose tasks and obligations are related to the European integration process.

FOREIGN ASSISTENCE

Current projects concerning veterinary policy

CARDS 2006 Integrated Border Management Project,

As a continuation of the activities in 2008, this project foresees construction of the infrastructure of the border crossing of the Republic of Macedonia: Tabanovce - for performing veterinary and sanitary examinations of live animals and products of animal origin, as well as purchase of relevant equipment for the facilities at the border inspection spots.

CARDS 2006 Project for Animal Identification and Registration – third phase

The aim of the third phase of this Project is to establish a system for identification and registration of small ruminants and to establish a system for identification and registration of swines. Regarding the establishment of the system for identification and registration of small ruminants, activities are almost completed, while the forthcoming activities will be focused on purchase of the necessary equipment for identification and registration of swines. For successful completion of these activities, as well as for the system for small ruminants, trainings are envisaged for the employees who are in charge of upgrading and maintenance of the system for identification and registration of animals. This Project is financed by the EU and managed by the European Agency for Reconstruction – EAR, and recently it was taken over by the Delegation of the European Commission.

Project for Strengthening the Agriculture and Access to EU, financially supported by the World Bank

In this Project, the Veterinary Directorate is part of the component 3 which consists of the following:

- Purchase of equipment: ear marks for small ruminants, equipment for upgrading the system for identification and registration of animals, purchase of IT equipment for the employees in the Veterinary Directorate and the Veterinary Inspection Service, for the administrative work, IT equipment for establishment of the Veterinary Information System – VIS (setting up a server in the Veterinary Directorate), purchase of terrain equipment for the veterinary inspectors which will be connected to the Veterinary Information System – VIS, vehicles for terrain operations, devices for undertaking measures for eradication of particularly contagious diseases.
- Technical assistance, purchase of services such as: capacity building training programme for the Veterinary Directorate, feasibility study for by-products of animal origin, assessment of the impact on the environment (in this concrete case the impact of animal waste products, i.e. animal waste by-products), information campaign concerning the obligations of food and feedingstuffs operators and preparation of workflow design and development of the software component of the Veterinary Information System – VIS.

IPA 2008, pre-accession instrument for the Republic of Macedonia – component 1

The project foresees technical assistance throughout the implementation of the new legislation in the area of veterinary policy, harmonised with the EU legislation, as well as supply of vaccines for immunisation of wild animals against rabies. It consists of 5 components.

IPA 2009, pre-accession instrument for the Republic of Macedonia – component 1

The project foresees capacity building technical assistance for the single competent body for veterinary and food, for the purpose of avoiding overlaps in legislation and competence on the one hand and the optimal use of available assets with regard to the employment, equipment and facilities on the other hand.

SIDA Project – Quality and Regulatory Infrastructure Development for Food Safety and Quality in South East Europe, Programme Code: 71001923

The Swedish Agency for International Development – SIDA provides support to the country with regard to adjusting the national systems in Macedonia to the international systems of the European Union and of the World Trade Organisation - WTO, by respecting the requirements for organisational needs and the principles and practices that apply in the international trade in food and feedingstuff.

Concretely defined need for projects in the field of veterinary policy

Veterinary procedures for import, transit

The goal of the project is to ensure relevant training for the employees of the Veterinary Directorate for full implementation of legislation with regard to the international trade and improvement of implementation of procedures for import, transit, ship transport, and re-export and storage of products of animal origin.

Quality management skills

The aim of the project is organisation of trainings for improving the personal skills of the employees within the Veterinary Directorate, and most of all, increasing their efficiency with regard to time management and resource management for successful performance of their tasks and duties.

Preparation of multiannual programme for official controls.

It is expected that this project will result in increased efficiency of official controls, and subsequently, reduced frequency of controls, that will result in reduced costs for official controls and provision of grounds for future planning of official controls.

Risk analysis related to food of animal origin,

ISO 2200:2025 Food safety management system. The project aims at achieving complete harmonisation of the relevant national standards with the EU procedures and standards, and protection of health of citizens of the Republic of Macedonia, health protection of animals, ensuring welfare for the animals and protection of the environment from waste of animal origin.

Risk analysis and reduced frequency of checks plans.

The project will ensure full application of the risk analysis system and reduction of the frequency of inspections pursuant to the relevant standards and procedures of the EU.

Moreover, the need for projects in the area of veterinary policy mainly refer to the following sectors:

ISO 9001 (Quality management system) implementation of official controls, implementation of measures for control and eradication of Classical swine fever, Brucellosis, Tuberculosis-TBC, surveillance and control of Rabies in wild populations of animals and vaccination thereof, implementation of animal welfare procedures (farm breeding, transport, slaughtering and killing, animals used for experimental purposes), implementation of procedures and official controls for food safety, particularly the feedingstuffs, raising the awareness about non-hazardous removal of animal by-products, construction of facilities and systems for collection, transport and non-hazardous disposal of by-products of animal origin, identification and registration of swines.

TAIEX Assistance

During 2008, 14 applications for use of the instrument have been submitted and approved by the EC. Four of them were implemented in 2008, 3 of which are workshops and 1 is an expert mission. The other have been scheduled for the first half of 2009. The assistance is technical and its aim is efficient transposition of the European legislation into the national one, in the area of veterinary policy and its implementation in the Republic of Macedonia.

3.12.3 PLACING FOOD AND FEEDINGSTUFFS ON THE MARKET

CURRENT SITUATION

LEGAL FRAMEWORK

The last areas that are regulated and harmonised with the EU are the following: Water safety, novel food, methods of taking food samples, microbiological criteria for food, food that contains or is product from genetically modified organisms. During 2008, the Food Directorate published several by-laws arising from the *Law on Food Safety and Products and Materials in Contact with Food* (Official Gazette of the Republic of Macedonia No. 54/20022 and 84/2007) as follows:

1. Rulebook on the special requirements for safety of oils and fats intended for general human consumption and of foodstuff that contains added oils or fats with regard to the contents of the eruca acid (Official Gazette of the Republic of Macedonia No. 46/08).
2. Rulebook on water safety (Official Gazette of the Republic of Macedonia No. 46/08).
3. Rulebook on the special safety requirements for novel food (Official Gazette of the Republic of Macedonia No. 46/08),
4. Rulebook on the special safety requirements for food that contains or is produced by genetically modified organisms (Official Gazette of the Republic of Macedonia No. 78/08).

The following EU measures have been transposed in the aforementioned rulebooks: 32004R0882, 31997R0258, 32003R1829, 32003R1830, 32004R0065, 31980L0777; 31996L0070; 32003L0040; 31976L0621, 31980L0891; 31998L0083; 31976L0621, 31980L0891.

This area is regulated by two laws that more specifically regulate particular issues in the area of veterinary - the Law on Public Veterinary Health (Official Gazette of the Republic of Macedonia No. 114/07) and the Law on Animal By-products (Official Gazette of the Republic of Macedonia No. 113/07).

Pursuant to the Law on Public Veterinary Health (Official Gazette of the Republic of Macedonia No. 114/07), the following by-laws were adopted:

- Rulebook on the procedures for applying the HACCP principles by food operators, as well as the manner of verification of such procedures by the competent authority (Official Gazette of the Republic of Macedonia No. 113/08) pursuant to the relevant provisions of the Regulations 32004R0853, 32004R0852, 32004P0854 with regard to the implementation and control of HACCP.
- Rulebook on the special requirements for foodstuffs of animal origin (Official Gazette of the Republic of Macedonia No. 115/08) where the Regulation 32004R0853 has been transposed. The full harmonisation will be achieved with the adoption of other by-laws.

A Manual for conducting official controls and audit of implementation of HACCP procedures by food operators was also drafted.

A large number of guidebooks were being published for implementation of the HACCP system, as assistance to producers and food traders.

1. Guidebook for preparation of a plan for food safety in catering facilities (based on HACCP principles)
2. Guidebook for introduction of Good Sanitary Practice in facilities for meat processing
3. Translation of the guidebook DOCUMENT-MANUAL for conducting procedures based on HACCP principles and for facilitation of implementation of HACCP principles in certain foods businesses, by the EU General Directorate for Health and Consumer Protection.
4. Step by step to HACCP – manual for food traders and caterers
5. Guidelines for implementation of HACCP system in the food sector
6. Guidelines for basic hygiene of food in catering
7. Guidelines for practicing proper hygiene in the food industry
8. Guidelines for basic hygiene of food in catering
9. Guidebook for labelling food products
10. Guidebook for safe ice-cream preserving and serving
11. Translation of the guidebook DOCUMENT-MANUAL for implementation of Regulation 852/2004 of the hygiene of foodstuffs
12. Translation of the guidebook DOCUMENT-MANUAL for implementation of Regulation 853/2004 for hygiene of food of animal origin
13. Translation of the guidebook DOCUMENT-MANUAL for implementation of Regulation 882/2004 for informing the importers about the procedures for import of food in the EU

The List of categorised by-products of the Law on Animal By-products, where part of the provisions of Regulation 1774/2002 were transposed, was adopted (Official Gazette of the Republic of Macedonia No. 53/08). Full harmonisation with the Regulation will be achieved with the adoption of other by-laws.

With regard to the evaluation of agricultural and food enterprises and their harmonisation with the EU standards and development programmes, Check Lists for control of facilities harmonisation with the EU standards were developed.

INSTITUTIONAL FRAMEWORK

During 2008, trainings were organised for all responsible employees in the area of: HACCP-basic level and audit, EU standards for by-products, prevention, control and eradication of TSE, food hygiene and control programmes for meat and meat products, milk and dairy products, fish products and live molluscs; zoonosis (diseases that can be transmitted with food) and microbiological criteria for food, organised by DG SANCO. The EU Rapid Alert System for Food and Feed (RASFF).

With regard to the evaluation of harmonisation of the agricultural and food enterprises with the HACCP standards, great efforts were invested in training the inspection services. All inspectors in charge of control and inspection of the facilities for production of foodstuff of animal origin participated at a number of trainings/seminars, organised by national competent bodies, the EC and other international institutions. With regard to the evaluation of agricultural and food enterprises and their harmonisation with EU standards and development programmes, inspection teams, which are fully trained for evaluating the facilities harmonisation with the EU standards, were established.

In the area of animal by-products, a feasibility study that provides detailed analysis and evaluation of the current situation is being prepared, as well as a recommendation for establishing the most adequate and cost effective system for the Republic of Macedonia for dealing with animal by-products.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

In 2009, the process of harmonising the national legislation with the *acquis* will continue by adopting bylaws arising from the Law on Public Veterinary Health (Official Gazette of the Republic of Macedonia No. 114/07).

Pursuant to the Law on Public Veterinary Health (Official Gazette of the Republic of Macedonia No. 114/07)

the following rulebooks are to be adopted:

- Rulebook on trichinella in meat,
- Rulebook on the manner and procedure for monitoring and control of residues and unpermitted substances harmonised with the following EU measures: 31996L0023; 31996L0022,
- Programme for control of Salmonella and other zoonotic agents, harmonised with the following EU measures: 32003R2160.

Pursuant to the Law on By-Products (Official Gazette of the Republic of Macedonia 113.07), the following rulebooks are to be adopted:

- Rulebook on the form, contents and manner of keeping records of animal by-products (transposed EU measures: 32002R1774);
- Rulebook on the manner of collection and non-hazardous disposal of animal by-products (transposed EU measures: 32002R1774, 32005R0093, 32005R0092);
- Rulebook on the special requirements concerning the facilities, technical equipment, manner and conditions for performing relevant activity, that should be fulfilled by the chemical facilities and the facilities for production of biogas and compost (transposed EU measures: 32002R1774, 32005R093, 32005R0092, 32005R2067);
- Rulebook on the technical requirements and the manner of performing the activities that should be fulfilled by the facilities for collection and storage of animal by-products (transposed EU measures: 32002R1774);
- Rulebook on the form and content, as well as on the manner of issuing a commercial document and a veterinary and health certificate for transport of animal by-products (transposed EU measures 32002R1774, 32005R0093);
- Decision for determining certain animal by-products as specific risk material with regard to TSE (transposed EU measures: 32001R0999, 32002R1774);
- Rulebook on the manner of collection, transport and identification of special categories of animal by-products (transposed EU measures: 32002R1774);
- Rulebook on the special requirements concerning the facilities, technical equipment, as well as the procedures and conditions for performing relevant activity that should be fulfilled by processing facilities for animal by-products (transposed EU measures: 32002R1774);
- Rulebook on the special requirements regarding the facilities for production of food for pets and technical facilities for animal by-products and the special technical requirements and processing procedures, manipulation, storage and transport when placing on the market, import and export of food for pets and technical products of animal by-products (transposed EU measures 32002R1774);
- Rulebook on the requirements that should be fulfilled by the animal by-products that are imported, transiting, or exported from the Republic of Macedonia as well as the manner and procedure of import, transit and export and the form and content of the veterinary and health certificate (transposed EU measures 32002R1774, 31996L0023);
- Rulebook on the special requirements regarding the facilities, technical equipment, as well as the procedures and conditions for performing relevant activity that should be fulfilled by the processing facilities for the third category of materials, and the special conditions for processed animal products that can be used as material for feeding animals (transposed EU measures: 32005R0079);
- Rulebook on the exceptions regarding the disposal of animal by-products (transposed EU measures 32002R1774);
- Rulebook on the technical products obtained from animal by-products and the special technical conditions and procedures for processing, manipulation, storage and transport when placing them on the market, import and export (transposed EU measures: 32002R1774);
- Prohibition for import of feedingstuffs (transposed EU measures: 32001R0999);
- Rulebook on the exceptions regarding the use of animal by-products (transposed EU measures: 32002R1774);
- Rulebook on limiting the use of animal by-products in feedingstuffs for animals (transposed EU measures: 32002R1774);
- Rulebook on the technical requirements for dealing with and non-hazardous disposal of specific risk material SRM (transposed EU measures: 32001R0999).

In the area of *veterinary fees*, Rulebook on the manner of payment of fees for the conducted official controls will be adopted. The measure 32004R0882 will be partially transposed, which provides for a legal framework for starting the new model of financing the official controls.

INSTITUTIONAL FRAMEWORK

For the purpose of strengthening the administrative capacity in the light of the European integration process of the Republic of Macedonia, the Veterinary Directorate plans to conduct several trainings for the employees in the following areas:

- Trainings for hygiene of foodstuffs (theoretical training, study visit, practical training),
- Trainings about the system for storage, transport, management and non-hazardous disposal of animal by-products.

Preparing facilities for food processing for the purpose of fulfilling the EU requirements

With the process of harmonisation of legislation, the existing administrative structure is being strengthened and a new one is being established in the light of supporting the food producers in the process of introducing the EU standards and wide application of HACCP systems. *The implementation of the HACCP system has already started in the production facilities in the Republic of Macedonia, pursuant to the legal regulation, which is harmonised with the EU legislation.* To that end, the following will be prepared:

- administrative procedures for conducting official controls in processing facilities with the aim of registering thereof, approval and certification of products,
- technical checklists for the official veterinary controls, including risk assessment and action plans for harmonisation of registration requirements,
- Training program and technical assistance for improving the industrial capacities with the aim of fulfilling the EU requirements for food safety.

During 2009, a comprehensive campaign will be organised for raising the awareness of food operators concerning the obligations and requirements laid down in the EU legislation, the hygiene package, focusing on the HACCP procedures, as well as a number of trainings for food producers for which 100.000 euro will be used.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

The competent authority will continue to harmonise the legislation which regulates this wider area, by always taking into consideration the amendments to the EU legislation in the same area and other specific areas. In 2010, it is envisaged to adopt a Rulebook on the conditions for controlling the temperature for food and a Rulebook on maintaining a cold chain of food.

INSTITUTIONAL FRAMEWORK

The new system of financing of official controls is expected to become functional as of the beginning of 2010.

3.12.4 FOOD SAFETY RULES

CURRENT SITUATION

LEGAL FRAMEWORK

Pursuant to the Law on Food Safety and Products and Materials in Contact with Food (Official Gazette of the Republic of Macedonia No. 54/02 and 84/07) (32002R0178; 32004R0852; 32004R0882, 31997R0258; 32000L0013; 32004R0853), 35 rulebooks have been harmonised with the EU legal acts.

- Rulebook on sanitary and hygiene conditions for food production (Official Gazette of the Republic of Macedonia No. 32/2006); 32004R0852,
- Rulebook on the manner of conducting inspection surveillance (Official Gazette of the Republic of Macedonia No. 133/2007); 32004R0882,
- Rulebook on the manner of food labelling (Official Gazette of the Republic of Macedonia No. 118/2005), (31989L0396; 31990L0496; 31987L0250; 31994L0054; 32000L0013; 32003L0120),
- Rulebook on additives in food products (Official Gazette of the Republic of Macedonia No. 118/2005); (31989L0107; 31994L0035; 31994L0036; 31995L0002; 31988L0388; 31988L0344; 31978L0663; 31996L0077; 31991L0071 31995L0031; 31992L0004; 31992L0115; 31994L0052; 31996L0083; 31996L0085; 31997L0060; 31998L0066; 31998L0072; 31998L0086; 31999L0075; 32000L0052; 32000L0063; 32001L0005; 32001L0030; 32001L0050; 32002R0247; 32002L0082; 32003L0095; 32003R1882; 32003L0114; 32003L0115; 32004L0045; 32004L0046),
- Rulebook on the general food safety requirements (Official Gazette of the Republic of Macedonia No. 118/2005); (31995L0002; 31993R0315; 31990R2377; 31976L0895; 31986L0362; 31986L0363; 31990L0642; 31996L0022; 32000L0013; 32001R0466; 32001R2375; 32002R0221; 32002R0257; 32002R0472; 32002R0563; 32003R1425; 32003R2174; 32004R0455; 32004R0242; 32004R0655; 32004R0684; 32004R0683; 32004R0852; 32004L0095; 32005R0208; 32005R0856),

- Rulebook on the safety of natural mineral water and mineralised water (Official Gazette of the Republic of Macedonia No. 32/2006); (31980L0777; 31996L0070; 32003L0040),
- Rulebook on the quality of fruit juice and certain like products (Official Gazette of the Republic of Macedonia No. 32/2006); (32001L0112),
- Rulebook on the special requirements that refer to cocoa products and chocolate products (Official Gazette of the Republic of Macedonia No. 32/2006); (32000R0036),
- Rulebook on the special requirements for sugar safety (Official Gazette of the Republic of Macedonia No. 32/2006); (32001L0111),
- Rulebook on the special requirements that refer to processed cereal-based foods for children and baby foods for infants and young children (Official Gazette of the Republic of Macedonia No. 32/2006); (31996L0005; 31998L0036; 31999L0039),
- Rulebook on the special requirements that refer to quick-frozen foodstuffs (Official Gazette of the Republic of Macedonia No. 32/2006); (31989L0108; 31992L0001; 31992L0002),
- Rulebook on the special requirements for safety of coffee extracts and cicory extracts (Official Gazette of the Republic of Macedonia No. 32/2007); (31999L0004),
- Rulebook on the types of foodstuffs for particular nutritional uses and the allowed levels of daily intake of vitamins and minerals (Official Gazette of the Republic of Macedonia No. 3/2007); (31989L0398; 32001L0015; 31996L0084; 31999L0041),
- Rulebook on the special requirements for safety of fruit jams, jellies, marmalades and sweetened chestnut purée (Official Gazette of the Republic of Macedonia No. 3/2007); (32001L0113),
- Rulebook on the special requirements for the contents and labelling of food supplements (Official Gazette of the Republic of Macedonia No. 108/2007); (32002L0046),
- Rulebook on the special requirements for foods treated by ionising radiation (Official Gazette of the Republic of Macedonia No. 119/2007); (31999L0002; 31999L0003).

The last areas that are regulated and harmonised with the EU are the following: water safety, food produced by innovative technologies, methods of taking food samples, microbiological criteria for food, food that contains, or is produced from genetically modified organisms. During 2008, the Food Directorate published several by-laws arising from the Law on Food Safety and Products and Materials in Contact with Food (Official Gazette of the Republic of Macedonia No. 54/20022 and no. 84/2007) as follows:

1. Monitoring programme for food safety in the Republic of Macedonia for 2008 (Official Gazette of the Republic of Macedonia No.41/08), (32004R0882),
2. Rulebook on the special requirements for safety of oils and fats intended for human consumption and in foodstuffs containing added oils or fats with regard to the content of the eruca acid (Official Gazette of the Republic of Macedonia No .46/08) (31976L0621, 31980L0891),
3. Rulebook on water safety (Official Gazette of the Republic of Macedonia no. 46/08) (31980L0777; 31996L0070; 32003L0040; 31998L0083),
4. Rulebook on the special requirements for food safety produced by innovative technologies (Official Gazette of the Republic of Macedonia No .46/08); (31997R0258),
5. Rulebook on the methods of taking food samples (Official Gazette of the Republic of Macedonia No. 78/08); (32004R0882; 32006R0401, 32006R1882, 32006R1881, 32006R1883, 32007R0333; 32005R2073),
6. Rulebook on the special requirements for food safety with regard to microbiological criteria (Official Gazette of the Republic of Macedonia No. 78/08); (32005R2073, 32007R1441),
7. Rulebook on the special requirements for food safety that contains or is produced by genetically modified organisms (Official Gazette of the Republic of Macedonia no. 78/08). (32003R1829, 32003R1830, 32004R0065).

INSTITUTIONAL FRAMEWORK

The Food Directorate, as an authority within the Ministry of Health, is competent to carry out the expert and administrative matters in the area of food safety and the products and materials in contact with food. The state food inspectors carry out control in all stages of food production and trade, including catering facilities and import and export of food. The Food Directorate establishes risk analysis system, ensures consumer protection and prompt information in the food area.

The Food Directorate has a total of 95 employees. The Food Directorate consists of three Sectors comprised of a number of units:

Sector for Food Standards:

1. Unit for normative, administrative and legal affairs and human resources
2. Unit for administrative affairs and information and analytical system
3. Unit for consumer protection
4. Unit for types of foodstuffs for particular nutritional uses, food additives, GMO food and food produced by innovative technologies;
5. Unit for quality protection.

Sector for Control of Production and Trade with Food

1. Unit for control of production and trade with food with registered office in Skopje;
2. Unit for control of production and trade with food with registered office in Tetovo;
3. Unit for control of production and trade with food with registered office in Bitola;
4. Unit for control of production and trade with food with registered office in Stip;
5. Unit for control of production and trade with food with registered office in Strumica;

Sector for Risk Analysis

1. Unit for risk assessment;
2. Unit for risk communication and information
3. Unit for cooperation with international organisations in the area of food safety
4. Unit for monitoring programme for food safety.

Also, a separate Unit for human resources was established, independent of the Sectors.

New employments: (4 +9 +2+1)

- 4 persons were employed at the position of Head of Unit, in the Sector for control of production and trade with food,
- 9 persons were employed at the position of State Food Inspector, in the Sector for control of the production and trade with food
- 2 persons were employed as junior associates within the frame of equitable representation, 1 person was employed in the Sector for food standards in the Unit for administrative affairs and analytical system and 1 person was employed in the Sector for control of production and trade with food, in the regional unit in Skopje.
- 1 junior associate was employed in the Sector for risk assessment, in the Unit for cooperation with international organisations in the area of food safety.

Trainings for the employees in the Food Directorate in 2008

- Annual training programme for the employees in 2008 in the Food Directorate, approved by the Civil Servants Agency.

A total number of 194 persons from the Food Directorate participated at trainings in 2008. Statistically calculated, based on the duration of trainings, each employee from the Food Directorate spent 10% of his/her working hours on training and upgrading his/her knowledge and skills.

Equipment:

- 16 new vehicles and
- equipment for inspectors for fast detection of unsafe food, in value of EUR 50,000.

Software application:

- an application was developed for the Food Directorate and the initial trainings for the inspectors that will use this software through the CARDS project have started;
- Macedonian web portal for the safety of food in the Republic of Macedonia - www.bezbednostnahrana.gov.mk, was developed, and it covers all the bodies included in the system for food safety control in the Republic of Macedonia
- within the Project for Integrated Border Management, IT equipment and software was purchased for the procedure of import of food, the trainings for using this application are underway.

Quality Protection in the Operation

The process for establishing standards of quality in the operation has already begun (ISO 9001) with the aim of unifying the work of the inspectors for food.

Inter-ministerial cooperation

A Memorandum of Understanding and Cooperation was signed between the Food Directorate, Ministry of Health and the Veterinary Directorate, Ministry of Agriculture, Forestry and Water Economy;

A Memorandum of Understanding and Cooperation was signed between the Ministry of Health, Food Directorate, Ministry of Finance – Customs Administration, Ministry of Interior and Radiation Safety Directorate;

A Memorandum of Understanding and Cooperation was signed between the Food Directorate, Ministry of Health and the Agency for Financial Support in Agriculture. Also, a Memorandum of Understanding and Cooperation was signed between the Veterinary Directorate, Ministry of Agriculture, Forestry and Water Economy and the Agency for Financial Support in Agriculture.

A large number of guidebooks published for implementation of the HACCP system as assistance to the producers and food traders have been published.

- Guidebook for preparation of a plan for food safety in catering facilities (based on HACCP principles)

- Guidebook for introduction of Good Sanitary Practice in facilities for meat processing
- Translation of the guidebook DOCUMENT-MANUAL for conducting procedures based on HACCP principles and for facilitating the implementation of HACCP principles in certain foods businesses, by the EU General Directorate for Health and Consumer Protection.
- Step by step to HACCP – manual for food traders and caterers
- Guidelines for implementation of HACCP system in the food sector.
- Guidelines for basic hygiene of food in catering
- Guidelines for practicing proper hygiene in the food industry
- Guidelines for basic hygiene of food in the catering sectors
- Guidebook for labelling food products
- Guidebook for safe preserving and serving ice-cream
- Translation of the guidebook DOCUMENT-MANUAL for implementation of Regulation 852/2004 for the hygiene of foodstuffs
- Translation of the guidebook DOCUMENT-MANUAL for implementation of Regulation 853/2004 for hygiene of food of animal origin
- Translation of the guidebook DOCUMENT-MANUAL for implementation of Regulation 882/2004 for informing the importers about the procedures for import of food in the EU

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

The following rulebooks are in a draft version and they are to be adopted by the end of June 2009.

- Rulebook on the special requirements for safety of alcoholic beverages (inter-ministerial consultation) (30.06.2009)
- Rulebook on the special requirements for safety that should be fulfilled by products and materials in contact with food (draft version) 32004R1935; 32006R2023; 32007L0042; 31984L0500; 32005L0031; 32002L0072;
- Rulebook on determining the maximum permitted levels of radioactive contamination of foodstuffs following a nuclear accident or any other radiological emergency; 31987R3954; 31989R0944; 31989R2219; 31990R0770 and 31990R0737;

Pursuant to the new legislation of the EU 2007-2008, a number of amendments to the following rulebooks are planned by December 2009:

- Amendments to the Rulebook on the special requirements for safety of foodstuffs for particular nutritional uses (Official Gazette of the Republic of Macedonia No. 3/2007) 31989L0398; 32001L0015; 31996L0084; 31999L0041;
- Amendments to the Rulebook on the special requirements for safety of processed cereal-based foods for infants and young children (Official Gazette of the Republic of Macedonia No. 118/2005), 31996L0005; 31998L0036; 31999L0039; 32009R0041;
- Amendments and supplements to the Rulebook on the special requirements for food safety of dairy products for babies and young children (Official Gazette of the Republic of Macedonia No. 32/2006), 32001R0466; 31996L0004; 32003L0005; 32006L0125;
- Amendments to the Rulebook on additives authorised for use in the food production harmonised with the following EU measures: 31989L0107; 31994L0035; 31994L0036; 31995L0002; 31978L0663; 31996L0077; 31981L0712; 31995L0031; 31995L0045; 32002D0247; 31998L0344; 31998L0388; 31996R2232; 32003R2065; 31999D0217; 32004R0882, 32004R1925, 32007R0884, 32002L0046, 32006R1925, 31989L0398, 31996L0008, 31992L0021, 32001L0015, 32006L0125, 32006L0141.

INSTITUTIONAL FRAMEWORK

Strengthening the cooperation among institutions engaged in food inspection

- Ongoing process of integrated approach for food safety control by the competent authorities in the Republic of Macedonia.

During 2009, new employments are planned, according to the Strategic Plan of the Food Directorate.

Strengthening the food safety and quality control by employing 5 new food inspectors.

2 new employments for data collection for the purpose of establishing a database for unsafe food and products and materials in contact with food

1 new employment for following, evaluation and reporting about the National Monitoring Programme for food safety control and audit and upgrade with regard to the obtained results

1 employment for consumers protection

1 new employment for updating the data in the register for evidence of production capacities for types of nutritious food, food produced by innovative technologies and GMO food in the Republic of Macedonia

Trainings:

Adoption of the Annual Training Programme for the employees of the Food Directorate for 2009

General generic trainings

Specialised trainings in the area of food safety:

- TAIEX trainings (2 workshops approved)
- EFSA trainings
- Trainings within the SIDA project,
- Solely organised trainings (new legislation, providing relevant trainings for the newly employed food inspectors)
- Trainings for the inspectors on how to use the software application for food safety control (application of the integrated system and application for the inspection of the Food Directorate)
- Providing relevant trainings for the food inspectors on how to use the equipment for fast detection
- Trainings for state food inspectors for issuing certificates for safe food upon requests by food exporters
- Trainings for food inspectors for performing supervision in facilities with implemented HACCP system
- Trainings for employees in the Unit for types of nutritional foodstuff, food produced by innovative technologies and GMO food, and trainings for food inspectors for GMO food
- Trainings for employees regarding the quality of the work and complying with the standard procedures in the Food Directorate
- Trainings for food inspectors for implementation of the Rulebook on microbiological criteria for food
- Trainings for food inspectors for taking samples according to the new Rulebook,
- Trainings for food inspectors for the RASFF system.

Equipment for inspectors: Purchase of

- 20 vehicles
- 80 laptop computers
- sampling equipment

The implementation of the standard ISO 17020 for inspection body for food safety within the Food Directorate has been planned.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

As medium term priority it is foreseen adoption of national legislation and implementation of the adopted and harmonised legislation. Also, the new EU legislation will be followed continually.

INSTITUTIONAL FRAMEWORK

Employment

15 new employments are envisaged for strengthening the control of the safety and quality of food by ensuring appropriate number of food inspectors.

The following trainings have been planned:

- Trainings for all employees in the Food Directorate with the aim of continual upgrade of knowledge and skills.
- Relevant trainings for food inspectors.
- Trainings for the employees in the Unit for types of nutritious food, food produced by innovative technologies and GMO food.
- Trainings for the employees in the Unit on quality in operation and meeting the standard procedures in the Food Directorate

The certification of the standard ISO 17020, an inspection body for food safety within the Food Directorate has been planned.

FORIGN ASSISTENCE

Current projects:

1. Strengthening food safety and quality control CARDS 2006

The duration of the project was one year: May 2007 – May 2008 The goal of the project was to contribute to the legal and institutional development of the system for food safety in compliance with the EU *acquis*. (May 2007 – May 2008) / completed.

2. West Balkan Consumer Protection Network. On 8 May 2007, a Memorandum of Understanding was signed for initiating the project for establishing the West Balkan consumer protection network, between the Ministry of Development of the Republic of Greece and the Ministry of Health of the Republic of Macedonia. The start of this project will provide the Republic of Macedonia with a two-way exchange of information with Brussels on food safety for the purpose of consumer protection prior to the accession of the Republic of Macedonia in the EU as well. The practical benefit of this memorandum for Macedonia is very important due to the fact that these activities will provide preconditions for ensuring the functions of the Food Directorate, by applying the software application and creation of the database, as well as connecting the border terminals for the purpose of smooth flow and exchange of information in the area of food safety, as a basis for connecting the early warning and information system with regard to dangers from unsafe food. The duration of the project is one year (May 2007 – May 2008). It was terminated.

3. The ongoing Project Quality and Regulatory Infrastructure Development for Food Safety and Quality in South East Europe in the Food Directorate has started on 1 February 2008 and will last until 31 December 2011, and it arose with the signing of the Memorandum of Cooperation between the Ministry of Health of the Republic of Macedonia and the Consortium of the Swedish Board for Accreditation and Conformity and the Swedish National Food Administration. It has started.

4. The Food Directorate within the Ministry of Health is the contact point for the pre-accession programme of the European Food Safety Authority, the activity with regard to trainings organised through EFSA continues. Ongoing.

5. TAIEX projects – 20 applications have been approved in the course of 2008: expert mission, workshops and study visits for checking, preparation and implementation of food safety legislation in the Republic of Macedonia. 3 projects were implemented in 2008:

- 1 study visit to Slovenia for food safety monitoring programme,
- expert mission for legislation about types of foodstuffs for particular nutritional use and
- expert mission for legislation about additives used in food production.

TAIEX projects have been transferred for the current 2009.

Everything from the organisational side has been completed i.e. agreed upon and the following projects supported from TAIEX have been confirmed:

- workshop on GMO – food for 30 participants from all of the bodies involved in the food control system ,
- workshop for 30 participants – for HACCP in the official control for the employees from the Food Directorate and the Veterinary Directorate,
- study visit in the Netherlands for control of food when imported for 4 people,
- study visit in Austria for the procedures of the RASFF system for 3 people,
- expert mission for the legislation of the materials that come into contact with food and
- expert mission for the contaminants in food..

The remaining 11 projects will be organised in 2009.

6. An assistance has been requested from the USAID for the project of the Food Directorate and the Veterinary Directorate for RASFF, the System for early warning for food feedingstuffs through the General Directorate for Health and Consumer Protection (DG SANCO) for introduction and implementation of this system in the everyday work of the inspectors for the purpose of protecting the consumers from food that is not safe.

3.12.5 SPECIAL REQUIREMENTS FOR FEED

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

In the course of 2009, the *Law on Animal Feed* is envisaged to be adopted through a regular parliamentary procedure. So far, the draft version of the legislation has been developed in which the following EU measures have been transposed:: 31990L0167; 31970L0373; 31979L0373; 31982L0471; 31993L0074; 31980L0511; 31982L0475; 31983L0228; 31993L0113; 31971L0250; 31971L0393; 31972L0199; 31973L0046; 31976L0371; 31976L0372; 31978L0633; 31981L0715; 31984L0425; 31993L0117; 31994L0039; 31996L0025; 31993L0070; 32002R0178; 32002L0032; 32003R1831; 32003L0126; 32004D0217; 32004R0882; 32005R0183; 32005R0943; 32006R0401.

The purpose of this Law is to provide legal foundation for hygiene and control of feedingstuffs and animal feed by establishing basic principles for hygiene and control of feedingstuffs and animal feed in accordance with the high standards and procedures of the European Union. This legislation indirectly provides a high level of animal health protection by using hygienically good feedingstuffs, as well as protection of the health of people as final consumers of food of animal origin, and it also protects the environment from waste of animal origin.

With the adoption of this Law which is harmonised with the relevant European legislation, the process for adopting the laws that regulate the veterinary area is completed. The next step will be the adoption of the bylaws arising from this Law within the anticipated deadlines.

INSTITUTIONAL FRAMEWORK

In the course of 2009, all the responsible persons that work in the Veterinary Directorate will participate in a training for activities in the area of *hygiene of feedingstuffs*, that is to be carried out through theoretical training, study, practical training.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

The competent authority will continue with the harmonisation, always taking into consideration the amendments to the relevant EU legislation in the specific area.

INSTITUTIONAL FRAMEWORK

See details in 3.12.2

FOREIGN ASSISTENCE

See details in 3.12.2

3.12.6 PHYTOSANITARY POLICY

CURRENT SITUATION

Legal framework

The plants which are of wide interest for the country have special protection laid down in the Constitution of the Republic of Macedonia. Therefore, the health of plants is right and responsibility of the Republic of Macedonia – the Ministry of Agriculture, Forestry and Water Economy, Phytosanitary Directorate, State Phytosanitary Laboratory, as well as the providers of public services and the owners. The competencies of the Phytosanitary Directorate within the Ministry of Agriculture, Forestry and Water Economy arise from the Law on Plant Health, The Law on Plant Protection Products and the Law on Fertilisers.

The Law on Plant Health (Official Gazette of the Republic of Macedonia No. 29/05), in which the Directive 2009/29/EEC of the Council is transposed, regulates the principles for plant health, the measures and obligations with regard to harmful organisms appearing in plants, plant products and other objects and items, preventing their entry and spreading, elimination measures, biological measures for plant protection, the access to and exchange of information and information system, costs and compensation, the competence of authorities, authorised services and bodies in the field of plant health, as well as other matters in the area of plant health.

The use of plant protection products is regulated with the Law on Plant Protection Products (Official Gazette of the Republic of Macedonia No. 110/07), more specifically the approval, placing on the market, the use and control of plant protection products, placing on the market and control of the active substances that represent products, a maximum level of residues, equipment for using the products, exchange of information regarding the products, production of products, keeping record of the legal and natural persons involved in the production and placing of products on the market, the conditions for authorising the bodies responsible for the implementation, monitoring and supervision of this Law which is in accordance with Directive 91/414 EC. Apart from being regulated with the provisions of this Law, the production of products, the placing on the market for the needs of the production of the products, the good laboratory practice (GLP), the Rotterdam Convention on Prior Informed Consent Procedure (PIC-) for certain harmful substances and pesticides in the international trade, the classification, packaging and marking of products are also regulated with the regulations for dangerous substances and preparations.

The Law on Fertilisers (Official Gazette of the Republic of Macedonia No. 110/07) regulates the conditions for production, placing on the market, import, the usage of fertilisers, types of fertilisers, identification, quality, composition, taking samples, packaging, marking, examining, declaration, monitoring, registration and other matters related to fertilisers.

Apart from the conditions laid down in this Law, for placing on the market and using fertilisers that contain dangerous substances, the provisions that regulate chemicals also apply.

If the fertilisers also contain plant protection substances, the provisions that regulate the area of plant protection products will apply for their production, placing on the market, import and utilisation,.

In the area of seed and planting material, the Law on Seed and Planting Material for Agricultural Plants (Official Gazette of the Republic of Macedonia 39/06 and 89/08) has been adopted. This Law regulates the production, preparation for trade, labelling, trade, import and export of seed material, planting material for agricultural plants (cereals, forage, garden, oleaginous, fibrous, turnip, potato, tobacco, decorative plants, fruit plants and grapevine) and mycelium for fungus nutrition; the obligations of the people that are involved in the production, finishing, trade and import and export of seed and planting material for agricultural plants; registration, research, approval, registering and maintenance of varieties of agricultural plants in the national list of varieties; service for certification of seed and planting material, public authorisations, authorised laboratories, keeping the definite samples of seed and the planting material and other matters in the area of seed and planting material. This Law is fully harmonised with the European legislation according to the EU Directives: 66/400/EC, 66/401/EC, 66/402/EC, 69/208/EEC, 98/320/EC, 98/95/EC, 98/96/EC, 70/457/EEC, 70/458/EEC, 92/33/EC, 2000/29/EC, 2002/53/EC, 2002/54/EC, 2002/55/EC, 2002/56/EC, 2002/57/EC, 98/44/EC, 98/56/EC, 68/193/EEC, 92/34/EEC and Regulation 2358/71/EEC.

INSTITUTIONAL FRAMEWORK

The number of employees in the Phytosanitary Directorate in 2008 is 42 people of which 1 is head of sector, 2 heads of units, 29 phytosanitary inspectors, 5 internal phytosanitary inspectors, 2 regional reporters, 2 independent officers, 1 junior officer.

Pursuant to the Law on Plant Health, State Phytosanitary Laboratory has been established and it conducts diagnosis and determination of harmful organisms, analysis of the physical and chemical characteristics of plant protection products, analysis of the active substance, as well as biological research in certain areas of the phytosanitary legislation.

The State Phytosanitary Laboratory (SPL) is competent for diagnosis and determination of harmful organisms, analysis of the physical and chemical characteristics of the plant protection product, the analysis of the active substance of the plant protection product.

The total number of employees is 9 as follows: bacteriologist, mycologist, virusologist, neontomologist, entomologist, molecular diagnostic, analytical chemist for pesticides, for seed control and for administrative technical support.

26 state agricultural inspectors from the State Agriculture Inspectorate within the MAFWE carry out inspection supervision and control of production, trade and the use of substances for plant protection. In the course of 2008, the State Inspectorate for Agriculture realised 2 employments in the area of strengthening the capacities.

Currently there are 3 units and a Director within the Seed and Planting Material Directorate. The total number of employees is 9 as follows: 2 heads of units, 2 counsellors, 2 junior associates and 2 referents.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

The harmonisation with the European legislation will continue in 2009 with the adoption of bylaws arising from the four basic laws. With regard to plant health, it is envisaged to adopt:

- Rulebook on establishing the form, content and keeping a register of producers, manufacturers, distributors and importers of plants, plant products and other objects and items, and starting the registration, harmonised with Directive 31992L0090;
- List of harmful organisms pursuant to Directive 32000L0029
- Rulebook on establishing the form, content and keeping a register of producers, manufacturers, distributors and importers of plants, plant products and other objects and items, and starting the registration, harmonised with Directive 31992L0090 and 32000L0029

Other rulebooks will be adopted in the area of plant protection products and they will regulate:

- The additional standard warnings and notifications regarding the products, the necessary documentation and the criteria for evaluating and approving the products and the members of and the work of the expert commission for approving the products;
 - The necessary documentation for evaluating the active substance, the approved active substances that are accepted as plant protection products in the EU and the Republic of Macedonia and that are included in the National List of Active Substances;
 - The usage of biological products for plant protection, the evaluation of the maximum amount of microorganisms or viruses in the plant protection products, and the maximum level of residues in plants and foodstuffs and official efficiency tests;
 - The packaging, declaration and additional standard phases for plant protection products and for prohibiting and withdrawing from circulation plant protection products that contain certain active substances.
- Directive 31991L0414 is transposed in the rulebooks.

In the part on fertilisers, pursuant to the Law on Fertilisers, several bylaws will be adopted in 2009 in accordance with Regulation 32003R2003, that will regulate the following areas:

- The types of non organic fertilisers, microbiological fertilisers, biostimulators and enhancers of the soil characteristics, in relation to the procedure for their qualification, the way of labelling and identification, the content of macro and micro elements that are part of them, and the approved quantities of nutritive elements and admixtures;
- The way of keeping record of producers and legal persons that are dealing with fertilisers production, the application procedure and keeping records of producers, the application procedure and keeping records of legal persons for placing fertilisers on the wholesale or retail market and keeping records of new fertilisers and of fertilisers that are imported;
- The way of placing bulk fertilisers on the market, the way of controlling the conditions for placing fertilisers on the market and the methods for taking samples, the research and the way of implementing the measures of production or placing on the market depending on the assessment of risk on human health;
- The methods and samples for examining fertilisers, permitted tolerance, the maximum and minimum values with regard to the composition of the fertilisers;
- The conditions regarding the import form, content and the keeping records if the legal person fulfils the requirements for import and the way that the delivery was checked after it had arrived at the border crossing, the methods for taking samples, the examining, quantity of samples, as well as the procedure and delivery of the samples to the laboratory;

- Defining a good agriculture practice, the requirements that must fulfil the ammonium nitrate fertilisers with a high content of nitrogen, and a procedure for requesting super analysis and the more specific conditions that must be fulfilled by the authorised laboratory, the methods and data that should be included in the report from the authorised laboratory;
- The requirements that must fulfil the producer on packaging and finishing the fertilisers, the conditions under which the fertiliser can be placed on the market i.e. to be recorded as a balance of trial production, balance of the import or balance of the final user and registering fertilisers of the overdue quantities that cannot be reformulated, from which fertilisers cannot be produced, as well as their packaging for the purpose of collection, placement and destruction.

The harmonisation with the European legislation in the part on seed and planting material for 2009 is envisaged by drafting seven rulebooks from the Law on seed and planting material for agricultural plants that regulate:

- The procedure and methods of research and maintenance of varieties of agricultural plants, re-evaluation of the DUS, the procedure for registering the variety in the National List of Varieties and the way of managing the National List of Varieties;
- The rules on trading with planting material of decorative plants, with propagating material and planting material of fruit plants intended for production of fruit.

The Rulebooks are harmonised with Directives: 32002L0053, 31998L0056 and 31992L0034

The Seed and Planting Material Directorate developed a Law on Breeders' Rights (this Law is in parliamentary procedure), by means of which the Republic of Macedonia became a member of the UPOV Convention. This Law protects the breeders' rights, and the relevant Rulebooks will be drafted pursuant to this Law.

INSTITUTIONAL FRAMEWORK

Institutional strengthening of the phytosanitary system by implementing IT System for exchange of information between the competent services and establishing a database for the granted authorisations, was envisaged, as well as continual training of the employees in the Phytosanitary Directorate (phytosanitary inspectors, regional reporters and the employees in the administration) and the personnel from the State Phytosanitary Laboratory.

With regard to employments, 10 new employments have been envisaged within the Phytosanitary Directorate, 5 of which in the State Phytosanitary Laboratory and 5 in the Seed and Planting Material Directorate.

Also, the implementation and establishment of the ISO 17025 standard is to begin in 2009.

MEDIUM-TERM PRIORITIES

Legal framework

In relation to the legislation purposes envisaged in the medium-term priorities in 2010, pursuant to the Law on Seed and Planting Material from Agricultural Plants, the Rulebook on trade with planting material from grapevine harmonised with Directive 31968L0193, as well as the Rulebook on the work of the National Gene Bank and the ways and the methods for collecting and keeping plant samples from the Gene Bank.

Institutional framework

With regard to the institutional strengthening of the phytosanitary system, 10 employments are envisaged for 2010 within the frames of the Ministry of Agriculture, Forestry and Water Economy, in the Phytosanitary Directorate, 5 of which in the Phytosanitary Laboratory and 5 in the Seed and Planting Material Directorate.

For the purpose of continual training of the employees that will lead to improved efficiency of the work of the phytosanitary system, a training for 5 persons, that are to perform DUS test for varieties of agricultural plants, which will last until the end of 2010, as well as Training for the inspection services of the Phytosanitary Directorate intended for 10 persons, have been envisaged.

Foreign assistance

With regard to phytosanitary policy, currently there is no foreign assistance. The identified needs are as follows:

Foreign assistance is needed in training professional staff for:

- approximation of regulations
- phytosanitary inspection
- introducing registers and issuing plant passports
- monitoring, diagnosing and determination of vegetative harmful organisms
- procedures for authorisation of plant protection products
- control and testing of equipment for application of plant protection products
- standards for nonorganic fertilisers

Training is needed for carrying out the statutory activities of the State Phytosanitary Laboratory i.e. Training for certain methods for research on diagnostics, analytical chemistry for pesticides, and seed control in the respective laboratories in the EU. Training for implementation of ISO 17025 and quality control.

The Seeds and Planting Material Directorate has envisaged and agreed training (foreign assistance) with TAIEX and with CPVO (European Community Plant Variety Office) in 2009.

We will be able to more easily draft the bylaws arising from the laws with the assistance provided by these organisations. TAIEX assistance for effective transposing of the European legislation in the national legislation and implementation thereof in the Republic of Macedonia.

3.13 FISHERIES

3.13.1 RESOURCE AND FLEET MANAGEMENT, INSPECTION AND CONTROL

CURRENT SITUATION

LEGAL FRAMEWORK

In the beginning of 2008, the Assembly of the Republic of Macedonia adopted the Law on Fisheries and Aquaculture, which is published in the Official Gazette of the Republic of Macedonia No. 7/2008. Pursuant to this Law, for the purpose of further regulation of the *resource, inspection and control management in fisheries*, a total of 12 bylaws have been drafted and published in the Official Gazette of the Republic of Macedonia No. 53/2008 and 54/2008.

This Law and the bylaws present the legal framework for further regulation of the matter and the fisheries policy and the aquaculture in accordance with the principles of the Common Fisheries Policy of the EU.

INSTITUTIONAL FRAMEWORK

The Unit for Fisheries and Aquaculture (Sector for Agriculture) within the Ministry of Agriculture, Forestry and Water Economy is in charge of drafting, proposing and implementing the legal regulation as well as for administrative and expert issues in the area of fisheries. There are two employees in the unit.

Apart from the Unit for Fisheries, the State Agriculture Inspectorate, a body within the MAFWE, is directly responsible for inspection supervision on implementation of the provisions of the Law on Fisheries and Aquaculture.

For the purpose of strengthening the administrative capacity in the area of inspection control, there is a vacancy announcement for employing of one more employee in the Unit for inspection supervision of fisheries and aquaculture within the State Agriculture Inspectorate.

The competence regarding the health protection of fish lays with the Veterinary Directorate.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

For the purpose of further regulation of fisheries, with regard to *resource, inspection and control management in fisheries*, other three bylaws specifying the commercial and recreative fishing are foreseen to be drafted and adopted in 2009.

INSTITUTIONAL FRAMEWORK

In the area of *resource, inspection and control management in fisheries*, for the purpose of more efficient inspection supervision within the State Agriculture Inspectorate, new employments in the Unit for inspection supervision of fisheries and aquaculture are foreseen. Furthermore, for the purpose of monitoring structural and market policies and information dissemination in the area of fisheries and aquaculture, a unique ICT system in this field will be established in 2009.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

None

INSTITUTIONAL FRAMEWORK

In the area of *resource, inspection and control management in fisheries*, for the purpose of more efficient supervision and control, new employment of fishery inspector is foreseen within the State Agriculture Inspectorate in 2010.

3.13.2 STRUCTURAL ACTIVITIES

CURRENT SITUATION

LEGAL FRAMEWORK

Pursuant to the Law on Fisheries and Aquaculture for purpose of further regulation of *structural activities*, two (bylaws) were drafted and published in the Official Gazette of the Republic of Macedonia No. 54/2008. These bylaws regulate the matter of this Law concerning permanent usage of fish through sustainable development by determining the contents of fishery grounds and annual programmes. Furthermore, fishery grounds for the fishery areas (Ohrid Lake, Dojran Lake and Prespa Lake), as well as for nine big artificial lakes have been elaborated.

INSTITUTIONAL FRAMEWORK

For the purpose of strengthening the administrative capacity in the area of fisheries with regard to participation in drafting and monitoring the activities related to implementation of the measures envisaged in the annual Programmes for promotion, there is a vacancy announcement for employing of one more person in the Unit for Fisheries and Aquaculture – Sector for Agriculture.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

In 2009 it is foreseen that a Programme for fisheries and aquaculture development for a period of 12 years will be adopted, as well as an Annual programme for fisheries development in 2009, with draft measures and manner/guidelines for their implementation. Moreover, it is planned that fishery grounds for fishery pools in the Republic of Macedonia will be made.

INSTITUTIONAL FRAMEWORK

None

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

As medium-term priorities in the area of structural activities will be the drafting of annual programmes with measures for fisheries and aquaculture development in 2010 and 2011, as well as preparation of fishery grounds for the artificial accumulations that were not included in 2008 and 2009.

INSTITUTIONAL FRAMEWORK

None

3.13.3 MARKET POLICY

CURRENT SITUATION

LEGAL FRAMEWORK

Pursuant to the Law on Fisheries and Aquaculture with regard to *market policy*, three bylaws were drafted and will regulate the quality of fish placed on the market, the manner and forms of organisation and association in the fisheries area as well as technical requirements that are to be fulfilled by fishing points. They are published in the Official Gazette of the Republic of Macedonia No. 54/2008.

INSTITUTIONAL FRAMEWORK

The Unit for Fisheries and Aquaculture, with the current number of employees, so far has managed to realise the activities related to market policy in the area of fisheries and aquaculture.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

None

INSTITUTIONAL FRAMEWORK

In the area of *market policy*, taking into account the extended scope of work, it is foreseen to employ one more person in the Unit for Fisheries and Aquaculture, and for purpose of more efficient inspection supervision on implementation of market policies in the area, new employment of fishery inspector is foreseen in the State Agriculture Inspectorate. Furthermore, fishing points will be constructed for the needs of performing and monitoring economic fishing pursuant to the law.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

None

INSTITUTIONAL FRAMEWORK

It is foreseen that the capacities of the Unit for inspection supervision of fisheries and aquaculture are strengthened (State Agriculture Inspectorate). Moreover, ongoing activity for this period will be the construction of fishing points for economic fishing provided that certain fishing waters are declared as fishing areas or if there is a need of such points at certain fishing zones.

3.14 TRANSPORT POLICY

3.14.1 ROAD TRANSPORT

CURRENT SITUATION

LEGAL FRAMEWORK

Access to market

The Law on Road Transport (Official Gazette of the Republic of Macedonia No. 68/04 and 127/06) regulates the conditions and manner in which transport of passengers and goods in the internal and international road transport is performed. Several directives and regulations of the Council of the European Union have been implemented in this Law: Directive 96/26EC, Directive 84/647/EEC, Regulation 56/83/EEC, Regulation 684/92/EEC, Regulation 881/92/EEC, Regulation 3118/93/EEC, Regulation 792/94/EC, Regulation 3315/94/EC, Regulation 12/98/EC, Regulation 2121/98/EC. Pursuant to this Law, all bylaws arising thereof have been adopted.

Fiscal issues

The Law on Public Roads (Official Gazette of the Republic of Macedonia No. 84/08) regulates the conditions and manner of construction, reconstruction, maintenance, protection, use, management, financing of public roads, as well as the supervision. The following directives have been implemented in this Law: Directive 62/99/EC, Directive 52/04/EC.

In accordance with the provisions of the Law on Public Roads, the Fund for National and Regional Roads is transformed into the Agency for State Roads.

In accordance with this Law, the following bylaws have been adopted:

- Rulebook on the manner of allocating the funds to the municipalities i.e. the City of Skopje, from the toll payment for use of roads of motor vehicles and trailers to be paid by their owners as within vehicle registration fee (Official Gazette of the Republic of Macedonia No. 129/08).
- Rulebook for the structure and contents of the forms of the official identification documents of the state inspectors for roads and authorised inspectors for municipality roads or roads of the City of Skopje as well as the manner of issuing and confiscating of documents (Official Gazette of the Republic of Macedonia No. 129/08),
- Decision on the amount of compensation for billboards and advertising boards in the protection area, connecting accessible road, setting installations on the road and the road area, construction and use of commercial objects with access on public road out of inhabited place, overuse, organised transport and damage of road and road objects regarding state roads (Official Gazette of the Republic of Macedonia No. 139/08), and
- Rulebook on criteria concerning determination of roads in inhabited places to be considered as part of state roads and maintenance (Official Gazette of the Republic of Macedonia No. 144/08).
- Rulebook on measures on public road maintenance, manner and deadlines of maintenance including the type and manner of regular, winter, periodical and interventive maintenance (Official Gazette of the Republic of Macedonia No. 152/08).

Dangerous goods

The transport of dangerous goods is regulated by the Law on Carriage of Dangerous Goods by Road and by Rail (Official Gazette of the Republic of Macedonia No 92/07) that stipulates the conditions for transport of dangerous goods (preparation of the goods, loading, transport, further manipulation, unloading, transport safety, equipment of the vehicles and training of the staff). The following measures from the EU legislation have been incorporated in this Law: Directive 94/55/EC, Directive 2000/61/EC, Directive 2001/7/EC, Directive 95/50/EC, Directive 2001/26/EC, Directive 2004/112/EC, Directive 1996/35/EC, Directive 2000/18/EC, Directive 98/91/EC, Directive 96/49/EC, Directive 2006/90/EC. Pursuant to this Law, all bylaws arising thereof have been adopted.

Safety issues

The Law on Road Transport Safety (Official Gazette of the Republic of Macedonia No 54/07) stipulates the road protection measures, the road transport rules, the conditions that have to be met by the vehicles in road transport, the devices and equipment that the vehicles must have, the requirements for the acquisition of the right to drive vehicles, checks and technical control of the vehicles and other. The following measures of the EU legislation have been incorporated in this law such as: 2002/85/EC, 1996/53/EC, 1991/671/EC, 1985/3820/EC, 1985/3821/EC, 1991/439/EC, 1997/26/EC, 2002/15/EC, 2004/11/EC, 1992/6/EC, 2000/56/EC, 1996/47/EC, 1996/96, 2003/127, 1989/459/EC, 1988/599/EC. Pursuant to this Law, all bylaws arising thereof have been adopted.

The Law on Vehicles (Official Gazette of the Republic of Macedonia No 140/08) regulates the examination, registration and the technical inspection of vehicles.

On 11th of November 2008, the National Strategy for Improving the Road Traffic Safety (2009-2014) was adopted and it provides for the long-term needs of the country with regard to undertaking planned measures and activities for road safety and it shows the readiness of the country to resolve problems in this part. The main objective of the National Strategy is to decrease the number of victims in road traffic for 50% and have zero child victims in traffic in the Republic of Macedonia by 2014.

INSTITUTIONAL FRAMEWORK

The competent authorities for the implementation of matters related to transport of passengers and goods in the internal and international road transport are: the Ministry of Transport and Communications, the State Transport Inspectorate – body within the Ministry of Transport and Communications authorised for inspection supervision, the Ministry of Finance – Customs Administration and units of local self-government.

A system for electronic application and allocation of schedules for transport of passengers has been introduced.

In the Ministry of Transport and Communications there are three units in the Sector for Road Transport and Infrastructure dealing with transport of passengers and goods in the road transport:

- Unit for Freight Transport – five persons with university level of education and three persons with secondary level of education.
- Unit for Passenger Transport – eight persons with university level of education and one person with secondary level of education.
- Unit for Transport of Dangerous Goods where three persons with university level of education are employed.

In 2008, the State Transport Inspectorate has carried out a total of 4345 inspection controls.

The Ministry of Interior is the competent authority for the implementation of matters related to the safety and control of the road transport. The structures in the Ministry of the Interior responsible for the safety of the road transport are the following: Unit for Traffic Matters within the Sector of Police; 8 police stations for road transport safety, 26 police units for road transport safety and 3 police stations for highway transport safety.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

The Public Enterprise "Makedonijapat" is to be restructured in this period. For that purpose a Law on Transformation of the Public Enterprise Makedonijapat is being drafted. A Plan for Transformation of the Public Enterprise Makedonijapat will also be drafted.

A Law Amending the Law on Public Roads is to be adopted for the purpose of further specifying of certain provisions of the Law and for the purpose of facilitating its application.

In accordance with the provisions of the Law on Public Roads the following bylaws will be adopted:

1. Rulebook on technicalities for construction, reconstruction and maintenance of public roads and road objects;
2. Decree on the criteria for categorisation of public roads, their signs and amortisation;
3. Rulebook on the identification of public roads by means of an appropriate reference system and stationary point;
4. Decision on the amount of compensation to be paid for information and technical assistance by users of motor vehicles, removal of damaged and defect vehicles including other matters related to smooth and safe traffic on public roads;
5. Decision on the amount and manner of compensation for using public roads for motor vehicles and trailers (toll), that will transpose the following EU measures: Directive 1999/62/EC and Directive 2006/38/EC;
6. Rulebook on the manner of carrying out the tasks for protection of public roads, and
7. Decision on the amount and manner of compensation for use of highways or national roads, part of them or road objects (highway toll).

The Law Amending the Law on Road Traffic Safety is to be adopted in this period as well.

Access to common transport market

In order to fully regulate of the relations in road transport with the countries of Europe, it is planned to sign Agreements on international transport of passengers and goods with the countries with which the Government of the Republic of Macedonia has not yet signed an agreement. Agreement for international road transport with Montenegro is to be signed in 2009.

INSTITUTIONAL FRAMEWORK

Every transport company in the Republic of Macedonia that fulfils the requirements stipulated by the Law on Road Transport and the bylaws arising from it, may apply for a licence to perform certain types of road transport.

In the course of 2009, increase in the number of employees in the Sector for Public Transport and Infrastructure within the Ministry of Transport and Communications is foreseen.

It is foreseen to strengthen the institutional capacity of the State Transport Inspectorate through Component 1 of IPA Programme.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

Access to common transport market

In order to fully regulate the relations in road transport with the countries of Europe, the activities for signing Agreements on international transport of passengers and goods with the countries with which the Government of the Republic of Macedonia has not yet signed agreements shall continue for:

- Agreement on International Road Transport with the Czech Republic, deadline 31 March 2010,
- Agreement on International Road Transport with the Kingdom of Sweden, deadline 1 June 2010,
- Agreement on International Road Transport with the Republic of Portugal, deadline 1 June 2010,
- Agreement on International Road Transport with the Republic of Finland, deadline 31 December 2010,
- Agreement on International Road Transport with the Republic of Lithuania, deadline 1 October 2010,
- Agreement on International Road Transport with the Republic of Ireland, deadline 31 October 2010.

INSTITUTIONAL FRAMEWORK

In this period the Sector for Road Transport and Infrastructure will be institutionally strengthened through organisation of TWINNING or other long-term training programme and full harmonisation of the legal regulation.

The capacity of the State Transport Inspectorate will be strengthened through trainings for inspection controls when transporting passengers and goods in road traffic.

3.14.2 RAIL TRANSPORT

CURRENT SITUATION

LEGAL FRAMEWORK

In 2008, the Law on Agency for Regulation of Railway Service Market was adopted, (Official Gazette of the Republic of Macedonia No. 7/08) regulating the establishment, competence, organisation, operation and management of the Agency for Regulation of Railway Service Market and laying down the financial resources for the Agency as well as the supervision of the operation. In accordance with the law, the Agency will become operational on 01.01.2009. This Law is fully harmonised with Article 30 and 31 of Directive 32001L0014.

The Decision on determining the network of main railway lines and other railway lines, their classification and signs (Official Gazette of the Republic of Macedonia No. 58/08) lays down the network of main railway lines and other railway lines depending on the purpose and intensity of traffic, their economic significance or their significance for the national and international transport, their classification and the signs. The Decision is in accordance with the European Agreement on Main International Railway Lines (AGC).

The bylaws arising from the Law on Railways and the Law on Railway Transport Safety are adopted and published in the Official Gazette of the Republic of Macedonia.

INSTITUTIONAL FRAMEWORK

During the process of transformation of the PE Macedonian Railways in 2008, the following studies have been drafted: 1. Study on determining the track access charge, and 2. Study on services of public interest in the railway transport of passengers.

In December 2008, the Government of the Republic of Macedonia approved the method of payment for the access based on the level which allows covering of the difference between the subsidies provided by the state and the financial costs or CF-, where the manager of the infrastructure prepared the package of services that are to be offered including the tariff book of services and they will be implemented as of 1 January 2009.

The Government of the Republic of Macedonia has also considered and adopted the information on the results from the Study on services of public interest in the railway transport of passengers, which is also to be introduced in 2009.

Financing of railway infrastructure: In accordance with Article 56 paragraph (3) of the Law on Railways (Official Gazette of the Republic of Macedonia No. 64/05 and 24/07), the Budget of the Ministry of Transport and Communications for 2008 has provided resources in the amount of MKD 181,000,000 for investments in railway infrastructure; additional MKD 160,000,000 have been provided with the Programme for additional investments in the railway infrastructure for 2008.

Settling the debt status of both companies: In 2008, an independent assessor prepared a Report for assessment of debts that are to be converted into shares and it was submitted to the Ministry of Finance. The report applies to both companies: Public Enterprise for Railway Infrastructure "Macedonian Railways" and "Macedonian Railways Transport" JSC. In 2008, "Macedonian Railways Transport" JSC has regularly serviced foreign debts from its own resources such as: conventional debts for the period between 1991-1995 and other foreign railways for the period between 1996-2006.

The Sector for Railways within the Ministry of Transport and Communications in accordance with the general act of systematisation of working posts will have 14 employees. At the moment, a total of nine persons work in the Sector, out of which six persons are civil servants and three are employed for a definite period of time.

By the end of 2008, on a proposal from the Committee of the Assembly of the Republic of Macedonia on matters related to selection and nomination, the President and the members of the steering committee (three persons in total) of the Agency for Regulation of Railway Service Market are to be elected. The steering committee of the Agency will nominate the Director of the Agency through a public announcement.

In December 2008, a training for the responsible staff of the Public Enterprise for Railway Infrastructure "Macedonian Railways" was held, on the use of the model for determining the compensation for access to the railway infrastructure by the consulting company titled SISTRA.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

Legal acts

In the course of 2009, adoption of amendments to the Law on Railways and the Law on Railway Transport Safety with the third EU railway legislation package is foreseen, i.e.:

- Directive 2007/58/EC of the European Parliament and of the Council of 23 October 2007 amending Council Directive 91/440/EEC on the development of the Community's railways and Directive 2001/14/EC on the allocation of railway infrastructure capacity and the levying of charges for the use of railway infrastructure;
- Directive 2007/59/EC of the European Parliament and of the Council of 23 October 2007 on the certification of train drivers operating locomotives and trains on the railway system in the Community;
- Regulation (EC) No. 1370/2007 of the European Parliament and of the Council of 23 October 2007 on public passenger transport services by rail and by road and repealing Council Regulations (EEC) No 1191/69 and 1107/70;
- Regulation (EC) No. 1371/2007 of the European Parliament and of the Council of 23 October 2007 on rail passengers' rights and obligations;
- Regulation (EC) No. 1372/2007 of the European Parliament and of the Council of 23 October 2007 amending Council Regulation (EC) No. 577/98 on organisation of a labour force sample survey in the Community

In the course of 2009, it is also foreseen that the Law on the Agency for Regulation of Railway Service Market is amended for the purpose of its further harmonisation with Regulation (EC) No. 881/2004 of the European Parliament and of the Council of 29 April 2004 establishing a European railway agency (Agency Regulation).

INSTITUTIONAL FRAMEWORK

Technical and safety requirements and interoperability

In 2009, part of the technical and safety requirements and interoperability will be fulfilled with the installation of the central system for controlling the railway transport, financed with a loan from the World Bank. The system covers railway transport modernisation of 27 railway stations on the Corridor 10 railway line from Tabanovce to Gevgelija. The system will control the railway transport from the first to the final railway station.

Within the frames of the process of transformation of PE Macedonian Railways, a Study on the increase of productivity and decrease of costs will be prepared in 2009.

Agency for Regulation of Railway Service Market

In 2009, the steering committee will elect the Director of the Agency on a public announcement. The funds for the Agency are provided by the Budget of the Ministry of Transport and Communications and they will be transferred as soon as the Agency is

registered with the Central Register., upon which, there will be a process of stuffing, equipping and training of the staff of the Agency.

Financing the railways

The funds are provided by the Budget of the Republic of Macedonia, the loan from the World Bank as well as from the pre-accession IPA Funds. 3 million Euro have been allocated from the Budget of the Republic of Macedonia for 2009. . The manager of the infrastructure, with the consent of the Minister of Transport and Communications, will prepare an Annual Plan for construction, reconstruction, modernisation, repair and maintenance of the railway infrastructure for 2009.

The Sector for Railways is to be strengthened through new employments, technical equipment and organisation of training for the employees.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

In the course of 2010 and 2011, the amendments and adoption of new EU directives will be followed in order to further align the existing legal framework of the Republic of Macedonia related to the railways Furthermore, a faster implementation and functionality of the combined railway transport in the Republic of Macedonia will be initiated.

In the course of 2010, the necessary bylaws, which are foreseen with the amendments of the legal acts, will be drafted.

INSTITUTIONAL FRAMEWORK

Liberalised market and access to the railway infrastructure

As soon as the network statement is published, international railway carriers can also apply for allocation of infrastructure capacities. The track access charge will be supplemented by providing additional services to the minimum package of services for the railway carrier. The process of liberalisation will continue by creating more favourable conditions for the applicants.

Obligations related to services of public interest: It will be established which lines will be of interest for the country to operate, to provide funds from the Budget of the Republic of Macedonia / 2010 and 2011 Budgets of the Local self government units for compensations of the costs.

Technical and safety requirements and interoperability

In 2010, the technical and safety requirements and interoperability will be upgraded in accordance with the innovations and their implementation in the railway system of the European Union. The railway system will be modernised with the process of modernisation and reconstruction of the railway infrastructure and renovation of the vehicle fleet of the railway carrier, for the purpose of providing services of higher quality.

Transport of dangerous goods

The transport of dangerous goods will continue to be carried out in accordance with the rules for railway transport of dangerous goods. Each change in the EU directives will be additionally considered and implemented for the purpose of safe transport of dangerous goods. The changes concerning the railway vehicles that are to be used for transport of dangerous goods will also be carefully followed. The new materials for construction of vehicles for transport of dangerous goods in accordance with the directives will be implemented.

Agency for Regulation of Railway Service Market

The Agency for Regulation of the Railway Transport Market will ensure transparent and non-discriminating management by the manager of the infrastructure and the railway carrier.

Financing Railways

Part of the funds is provided by the Budget of the Republic of Macedonia each year. It is also expected that the loan for the Project for Reform of the Railway is prolonged and thus realised by the end of the second quarter of 2010. The Operational Programme for IPA Component 3 provides for preparation of feasibility studies as well as assessment of the impact on the environment for the two corridors passing through the Republic of Macedonia. The Budget of the Republic of Macedonia for 2010 provides for the funds to be transferred to the account of PE for Railway Infrastructure "Macedonian Railways", where the Ministry of Transport and Communications will have a role of a supervisory body by conducting field checks and inspection as to whether the budgets are spend in accordance with the planned and adopted schedule.

INSTITUTIONAL FRAMEWORK

The Sector for Railways is to be strengthened through new employments, technical equipment and training of the employees for the purpose of following the legal regulations in this area. In this period the capacity of the Sector for Railways will be strengthened with new employees.

The Agency for Regulation of Railway Service Market needs staffing in accordance with the general act of the systematisation of working posts.

Foreign support

The World Bank Project for Reform of the Railway No 83499 is in the phase of implementation. The World Bank on one side and the Ministry of Finance and the two newly established companies, PE Macedonian Railways Infrastructure and Macedonian Railways Transport JSC on the other, signed the Loan Agreement and the Guarantee Agreement, after the separation of the companies as follows: amended Loan Agreement - PE Macedonian Railways Infrastructure - Skopje; amended Loan Agreement - Macedonian Railways Transport JSC - Skopje; amended Guarantee Agreement – PE Macedonian Railways Infrastructure – Skopje; amended Guarantee Agreement – Macedonian Railways Transport JSC – Skopje. The amended agreements were signed in February 2008.

The Law on Guarantees of the Republic of Macedonia regarding the Loan Agreement designed for the Project for Reform of the Railway which was signed between the Macedonian Railways Transport JSC - Skopje and the International Bank for Reconstruction and Development (Official Gazette of the Republic of Macedonia No 17/08) guarantees settlement of the obligations and fulfilment of the provisions thereof in the amount of EUR 5,970,000. The Components of the Project are as follows:

- *Component 1:* covers studies, financial auditor and training
- *Component 2:* Social mitigation (EUR 0.125 million)
- *Component 3:* Purchase of machines, tools, materials for maintenance of infrastructure, computers and other.

The project is to end by 2009, however, it is possible to extend it for additional six months, thereby to be finished by the end of May 2010.

3.14.3 INLAND WATERWAYS TRANSPORT

CURRENT SITUATION

LEGAL FRAMEWORK

The inland waterways navigation in the Republic of Macedonia covers navigation at the natural and artificial lakes including navigation on one channel. The navigation is carried out solely for tourism and sports and recreation. Transport of goods and dangerous goods is not included.

Currently no intergovernmental or international navigation is being carried out, although there is a possibility to include such navigation in future since there are natural lakes on the borders with other countries (the Republic of Albania and the Republic of Greece).

In the Republic of Macedonia there is one port for inland waterways navigation in Ohrid.

For the purpose of completing the legislation in this area, by applying the EU standards for regulation of inland waterways navigation safety and in accordance with the authorisations provided by the Law on Inland Waterways Navigation, in 2008 the Rulebook on rules, signals and signs for safe and orderly navigation on the inland waterways navigation routes (Official Gazette of the Republic of Macedonia No. 27/2008) was adopted. It also incorporates and implements as follows:

- European rules for inland waterways navigation routes accepted by EEC UN – Resolution No 24 of 15 November 1985;
- European rules for marking inland waterways navigation routes SIGNI, accepted by UN – Resolution No 58 of 2005;
- European Code for inland waterways navigation routes SEVNI, accepted by UN – Resolution No 24 of 2002.

In 2008, in accordance with the authorisations provided by the Law on Inland Waterways Navigation, other five bylaws were adopted.

INSTITUTIONAL FRAMEWORK

Competent authorities for the implementation of activities related to inland waterways navigation safety are the Ministry of Transport and Communications and the Port Authority – a body within the Ministry of Transport and Communications. The Port Authority consists of one unit with seven employees.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

In 2009 the following two bylaws will be adopted:

- Rulebook on the plan and programme for acquiring ranks and authorisations, examination, the form and content of the certificate for ranks and authorisations for crew members of ships, and
- Rulebook on the number and members of the crew for safe navigation of inland waterways ships.

These two bylaws will transpose Directive 91/672/EEC which provides for recognition of boatmasters' certificates in accordance with the regulations of the EU Member States and Directive 95/50/EC prescribing conditions on assessing the medical ability of ship crew members.

INSTITUTIONAL FRAMEWORK

Reconstruction of the port of Ohrid is foreseen for 2009, and one vessel for the Port Authority is to be procured.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

Priority in the alignment of the national legislation with the EU legislation in this period will be the harmonisation of technical requirements for navigability of vessels within the procedure of standardisation with the European criteria for vessels by transposing Directive 2006/87/EC including introduction of ship documents and logs that must be kept in the vessels as well as ship registration paper instead of ship certificate by transposing Directive 76/135/EEC;

INSTITUTIONAL FRAMEWORK

It is planned to strengthen the capacities of the Port Authority with new employments.

3.14.4 COMBINED TRANSPORT

CURRENT SITUATION

LEGAL FRAMEWORK

The Law on Railways (Official Gazette of the Republic of Macedonia No. 58/07) and the Law on Railway Transport Contracts (Official Gazette of the Republic of Macedonia No. 55/07) include provisions regulating the relations between the parties involved in combined transport of goods.

The National Transport Strategy of the Republic of Macedonia (2007-2017) provides for creation of conditions for transport of goods through two or more types of transport, i.e. multimodal transport network. It also provides for promotion of:

- efficient services of the "door-to-door" system,
- most recent achievements in the EU regarding standardisation and harmonisation of cargo multimodal units,
- education and training for operative, marketing, financial, economic and competence relations between types of transport and their application in the multimodal transport.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

Introduction of policy of diverting road freight and passenger transport to types of transport which are not harmful for the environment is foreseen.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

By 2011 it is foreseen that the multimodal cargo units are standardised and harmonised by presenting the European intermodal cargo unit.

By 2014 it is foreseen that multimodal loops at possible locations in the country are built, on the basis of a prior feasibility study.

3.14.5 AIR TRANSPORT

CURRENT SITUATION

LEGAL FRAMEWORK

Laws

Law on Aviation

The Law on Aviation (Official Gazette of the Republic of Macedonia No 14/06) regulates the conditions and manner of carrying out aviation activities in the Republic of Macedonia. The bylaws arising from this Law are drafted in accordance with the accepted international aviation standards, recommended practices and legislation of the EU, ICAO, ECAC, JAA/EASA and EUROCONTROL. The international standards, regulations, instructions and recommended practices to which the bylaws make

reference only are considered as accepted and are directly applied. This Law provides a basis for transposing the EU measures into bylaws.

The Law on Aviation is harmonised and ensures application of the international agreements of public legal nature to which the Republic of Macedonia is a signatory party.

Law Amending the Law on Aviation

In February 2007, the Law Amending the Law on Aviation (Official Gazette of the Republic of Macedonia No. 24/07) was adopted. The amendments removed the obstacles for transformation of the Civil Aviation Administration, made more precise the sources of financing for the new Agency for Civil Aviation and harmonised the provisions of the Law on Misdemeanours and made a harmonisation with the international regulations and standards.

Law Amending the Law on Aviation

In August 2008, the Law Amending the Law on Aviation (Official Gazette of the Republic of Macedonia No 103/08) was adopted. The amendments regulate the airport fees (for example, compensation for passengers, safety and landing), since the airport fees may be posed by the airport operators, but they must be approved by the Government of the Republic of Macedonia before they enter into force.

Law on Obligations and Material Legal Relations in Air Transport

In July 2008, the Law on Obligations and Material Legal Relations in Air Transport (Official Gazette of the Republic of Macedonia No 85/08) was adopted. This Law regulates private legal matters in the field of aviation linked to the contract for transport, i.e. air ticket for transport of passengers, responsibilities of the air transporters deriving from the contract for transport, compensation of damages, insurance and other. This Law is harmonised with the following EU measures: 31992R2409; 31997R2027, 32002R0889, 32004R0261, 32005R2111, 32004R0785, 31989R2299 and 31999R0323.

Multilateral Agreement for the establishment of a European Common Aviation Area (ECAA)

In February 2007, the Assembly of the Republic of Macedonia ratified the Multilateral Agreement for the establishment of European Common Aviation Area (ECAA), signed on 9 June 2006 in Luxemburg (Official Gazette of the Republic of Macedonia No. 27/07). Its objective is to create unified conditions for free market services in air transport and unified rules in the field of safety, security and air transport management, social sphere and protection of environment of the whole territory of the European continent.

Agreement between the European Community and the Republic of Macedonia on certain aspects of air transport i.e. the Horizontal Agreement

In December 2006, the Assembly of the Republic of Macedonia ratified the Horizontal Agreement, signed on 9 June 2006 in Luxemburg (Official Gazette of the Republic of Macedonia No. 127/06). The objective is to amend certain provisions of the bilateral agreements on regular air transport which the Republic of Macedonia has signed with the Member States of the EU for the purpose of harmonising them with the EC legislation and thus avoiding discrimination in the field of air transport in relation to other Member States of the EC.

Bylaws

Bylaws of the Law on Aviation

The bylaws related to the Law on Aviation are being prepared. In this context, eight regulations and directives of the EU have been transposed in accordance with the obligations from the Agreement for European Common Aviation Area: 31989L0391, 32003L0088, 32000L0079, 31990L0314, 31992L0059, 31993L0013, 31995L0046 and 32003R2042 and they are included in the legislation list of NPAA matrix.

Concession of Alexander the Great – Skopje Airport, St. Apostle Paul – Ohrid Airport and construction of a new cargo airport in Stip

The Government of the Republic of Macedonia initiated the procedure for allocation of concession for construction, reconstruction and use of the two airports of the Republic of Macedonia (Alexander the Great – Skopje and St. Apostle Paul – Ohrid), as well as for construction of a new cargo airport in Stip, by adopting a Decision (Official Gazette of the Republic of Macedonia No. 39/08). Previously, the Government adopted the Decision on cessation and use of immovable property (Official Gazette of the Republic of Macedonia No. 23/08). The Decision ensures that the current owner of the immovable property (the Agency for Civil Aviation) will give part of the immovable property to the Public Enterprise for Airport Services Makedonija – Skopje, to use it for an indefinite period of time and with no compensation.

In this context, activities within stage I of the Tender procedure for concession of the airports of the Republic of Macedonia and stage II Bidding application are undertaken within the procedure for allocation of concession for construction, reconstruction and

use of the Alexander the Great" – Skopje Airport, "St. Apostle Paul" – Ohrid" Airport and the construction of a new cargo airport in Stip.

On 29 August 2008, the Government of the Republic of Macedonia adopted the Decision on selecting a concessioner in the procedure for providing concession of the "Alexander the Great" – Skopje Airport, "St. Apostle Paul" – Ohrid" Airport and the construction of a new cargo airport in Stip (Official Gazette of the Republic of Macedonia No. 108/08).

On 24 September 2008, Agreement on concession was signed between the Government of the Republic of Macedonia, as concedent, and TAV Macedonia DOOEL Skopje, as concessioner for a period of 20 years.

On 25 December 2008 the Government of the Republic of Macedonia adopted a conclusion on extending the date of entry into force (effective date) of the Agreement on concession for development, financing, use and maintenance of Alexander the Great – Skopje Airport, St. Apostle Paul – Ohrid Airport and the new cargo airport in Stip, signed on 24 September 2008 between the Government of the Republic of Macedonia, represented by the Minister for Transport and Communications and TAV Havalimanları Holding A.Ş. and TAB Macedonia DOOEL Skopje.

In accordance with the new deadline, TAV (TAV Havalimanları Holding A.Ş. and TAB Macedonia, DOOEL Skopje) will start operating (using) and investing in the airport system in the Republic of Macedonia on 31 August 2009.

Strategic documents

National Aviation Policy of the Republic of Macedonia

In April 2007 the Government of the Republic of Macedonia adopted the National Aviation Policy of the Republic of Macedonia which presents the main basis for definition of the strategic goals and priorities of the Republic of Macedonia in the field of aviation and is oriented towards realisation of the priorities in the areas defined in the Agreement for the establishment of the European Common Aviation Area (ECAA), such as: security, aviation navigation services, infrastructure, safety, protection of the environment, protection of consumers' rights, competition and other areas related to the aviation of the Republic of Macedonia.

National Strategy for the development of aviation in the Republic of Macedonia

In July 2007 the Government of the Republic of Macedonia adopted the National Strategy for the development of aviation in the Republic of Macedonia, which provides directions for modernisation and optimisation of the future organisational structure of the national aviation sector, fulfilment of the high international safety and security standards, improvement of the aviation infrastructure, sustainability of the environment in conditions of increased volume of air transport and traffic, management of the air space in accordance with the principle of Single European Sky, liberalisation of the air transport services as well as measures for protection of the existing and new beneficiaries of air transport services in the Republic of Macedonia.

The period covered by the Strategy is five years with a projection for the next five years. The Strategy will be revised and updated twice a year in the first five years of the implementation. After this period, the Strategy will be revised and updated once a year.

INSTITUTIONAL FRAMEWORK

Ministry of Transport and Communications

In accordance with Article 6 of the Law on Aviation, the Ministry of Transport and Communications is responsible for aviation issues: preparation of the national strategy for the development of aviation; realisation of the aviation policy of the Government of the Republic of Macedonia; implementation of the policy of the Republic of Macedonia of allocation of concessions in the field of aviation; proposing laws in the field of aviation and drafting and adopting bylaws, supervision of the Agency for Civil Aviation, implementation of the procedure of temporary provision of concession under temporary forced administration (sequester). These activities are performed by the Sector for Aviation within the Ministry of Transport and Communications. In accordance with the new Rulebook on systematisation of working posts of the Ministry of Transport and Communications, the Sector for Aviation consists of two units: the Unit for Aviation Policy and Unit for Security and Aviation Standards. Instead of the current ten regular working posts, twelve working posts are foreseen. At the moment the Sector has seven employees, four of them are civil servants and three are employed on the basis of a contract with the Agency for Temporary Employment.

Agency for Civil Aviation

In accordance with Article 7 paragraph 2 of the Law on Aviation, the Agency for Civil Aviation is an independent state administrative body with the capacity of a legal entity. The responsibilities of the Agency are laid down in paragraph 3 of this Article.

The transformation of the Agency is an obligation arising from Article 193 of the Law on Aviation. As a result, the sector within the Agency which is responsible for flight control will become a separate state owned joint stock company, engaged in the activity of "providing air navigation services". On the other hand, the Agency will retain the regulatory functions of aviation authority in aviation.

Therefore, the Government of the Republic of Macedonia has adopted the following acts:

- Information on the procedure of implementation of the division balance with a view to division of assets, property, rights and obligations between the Agency for Civil Aviation and the Aviation Service Provider (139th Session on 23 March 2008),
- Division balance with a view to division of assets, property, rights and obligations between the Agency for Civil Aviation and the Aviation Service Provider (139th Session on 23 March 2008),
- Decision No. 19-4602/1 of 16 October 2008 on initiating a procedure for the establishment of a state owned joint stock company in the capacity of aviation service provider (Official Gazette of the Republic of Macedonia No. 133/08).
- Statute of the state owned joint stock company as an aviation service provider No. 19-4602/1 of 28 October 2008 (Official Gazette of the Republic of Macedonia No. 139/08).

For the transformation of the Agency to be finalised, the company management body is to be established and registered in the Central Register of the Republic of Macedonia.

The Agency for Civil Aviation is to be a financially independent body after the separation of the air navigation service provider in accordance with the EU, JAA, EASA and EUROCONTROL recommendations.

Public Enterprise for Airport Services "Makedonija" - Skopje

Transformation of the PEAS Makedonija – Skopje in a state owned joint stock company is an obligation arising from Articles 81 and 196 of the Law on Aviation, Article 4 of the Law on Public Enterprises as well as the Company Law.

Therefore, the Government of the Republic of Macedonia on its session held on 25 February 2008 adopted the following acts: Decision on transformation of the Public Enterprise for Airport Services Makedonija – Skopje into a state owned joint stock company (Official Gazette of the Republic of Macedonia No. 35/08) and Statute of the state owned Joint Stock Company for Airport Services "AIRPORTS OF MACEDONIA" (Official Gazette of the Republic of Macedonia No. 35/08).

The members of the Supervisory Committee of the state owned JSC "AIRPORTS OF MACEDONIA" were selected with the Decision No. 33-3555/1 of 12 July 2008. The members of the Steering Committee of the state owned JSC "AIRPORTS OF MACEDONIA" were selected with the Decision of the Supervisory Committee No. 02-934/3 of 20 August 2008.

The new state owned Joint Stock Company for Airport Services "AIRPORTS OF MACEDONIA" is registered in the Central Register of the Republic of Macedonia on 22 August 2008.

Commission for Inspection of Accidents and Serious Incidents in Aviation

In accordance with Article 166 of the Law on Aviation, in September 2006 the Committee for Inspection of Accidents and Serious Incidents was established. This Committee investigates accidents or serious incidents of aircrafts or parachutes in the airspace of the Republic of Macedonia and is independent in its work. It has a permanent member appointed by the Government of the Republic of Macedonia and variable composition of members who, in case of an accident or serious incident of an aircraft or parachute, appointed by the Minister for Transport and Communications from the list of aviation experts, depending on the type of the aircraft concerned.

National Committee for Aviation Safety

The Decision of the Government of the Republic of Macedonia No. 19-4087/1 of 18 November 2005 established the National Committee for Aviation Safety. The decision of 22 October 2008 of the Director of the Agency for Civil Aviation nominates the members of the National Committee for Aviation Safety. The National Coordinator for Aviation Safety is the Director of the Agency for Civil Aviation.

The Committee operates as a permanent committee for coordination of all activities ensuring avoidance of non-legal aviation activities. The task of the Committee is to undertake preventive measures, organised procedures and elimination of consequences of activities against the civil aviation safety.

The Committee consists of representatives from the Ministry of Transport and Communications, the Ministry of Defence, the Ministry of Interior, the Ministry of Finance (Customs Administration), airport operators, air operators, air transporters and air navigation service providers.

FOREIGN ASSISTANCE

The Project "Technical Assistance for Transport and Management" (CARDS 2005)

The Project "Technical Assistance for Transport and Management" was to end on 15 September 2007. However, having in mind that certain project tasks were not realised within the schedule of the Project, the European Agency for Reconstruction, administering the project, extended its deadline to 15 March 2008, for the purpose of completing the realisation of the remaining project activities which are of significance to the process of establishment and strengthening the capacities of the Ministry of Transport and Communications concerning their competences in the field of aviation.

TAIEX (Technical Assistance Information Exchange Instrument)

In the period between 17-18 December 2007, a TAIEX expert for distribution of air routes (TAIEX - Expert Mission on Air Route Distribution) stayed in Skopje for a training of employees of the Sector for Aviation within the Ministry of Transport and Communications, the Joint Stock Company of Airport Services "AIRPORTS OF MACEDONIA" – Skopje and the Agency for Civil Aviation.

In the period between 12-16 May 2008, a TAIEX training was carried out for employees of the Sector for Aviation within the Ministry of Transport and Communications, the Joint Stock Company of Airport Services "AIRPORTS OF MACEDONIA" – Skopje and the Agency for Civil Aviation.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

Laws

Draft Law Amending the Law on Aviation

The preparation of the Draft Law Amending the Law on Aviation is in its final stage. The adoption of this Law is aimed at improvement of the quality of the Law on Aviation and harmonisation with the obligations and EU rules taken from the Multilateral Agreement for the establishment of the European Common Aviation Area (ECAA Agreement), ratified and published in the Official Gazette of the Republic of Macedonia No. 27/2007, as well as in accordance with the recommendations contained in EU Mission Assessment Reports of implementation of the ECAA Agreement. These amendments regulate the situation related to establishing a freedom of access to the airport services market in accordance with the EU Directive 96/67, which enables independent performance of airport services. In addition, the investigation of accidents, serious incidents, incidents and events in aviation, and the search for and rescue of an aircraft is regulated in accordance with the EU Directive 94/56 on the basic principles on investigating accidents and serious incidents in civil aviation, as well as the EU Directive 2003/42 on occurrence reporting in the civil aviation, and establishing an independent body for their investigation. Furthermore, the working hours of mobile workers in aviation and their right to free medical checks are regulated in accordance with the EU Directive 2000/97. Also, the amendments detail specific articles and harmonise them with the international regulations and standards.

Bylaws

Bylaws of the Law on Aviation

By the end of 2009, the remaining bylaws arising from the Law on Aviation will be adopted and EU measures arising from ECAA Agreement will be transposed.

In the last quarter of 2009, bylaws regulating certain aspects of aviation, that are based on the provisions of other laws, will be adopted.

INSTITUTIONAL FRAMEWORK

Staffing of the Sector for Aviation

It is foreseen that the Sector for Aviation is strengthened through new employments, technical equipment and training for the employees in monitoring regulations in this field. Completion of the process of staffing of the Sector for Aviation is essential for full, duly, qualitative and efficient realisation of the competences of the Ministry, in the field of aviation.

In accordance with the Rulebook on systematisation of working posts within the Ministry of Transport and Communications, the Sector for Aviation needs to include another five employees. During 2009 employment of three employees is foreseen.

Staffing of Agency for Civil Aviation

In accordance with the action plans delivered to the international aviation organisations, it is necessary to strengthen the capacity of the Agency by at least thirteen people who are aviation experts such as: one airline transport pilot with ATPL license, two commercial pilots with CPL license, two flight controllers, one air engineer for flight control, one chemistry engineer for dangerous goods, one air mechanical engineer with AMC license, two air electrical engineers with IRE license and three air traffic engineers for reception and dispatch of passengers in the course of 2009.

Joint Stock Company for Airport Service "AIRPORTS OF MACEDONIA" – Skopje

Concession of Alexander the Great Airport – Skopje, St. Apostle Paul Airport – Ohrid and construction of a new cargo airport in Stip

On 24 September 2008, an Agreement on concession was signed between the Government of the Republic of Macedonia, as concedent, and TAV Macedonia DOOEL Skopje, as concessioner for a period of 20 years.

The subject of concession is construction, reconstruction and use of Alexander the Great Airport – Skopje, St. Apostle Paul Airport – Ohrid and construction of a new cargo airport in Stip.

In accordance with Article 5 of the Decision on election of concessioner in the procedure for allocation of concession for construction, reconstruction and use of Alexander the Great – Skopje Airport, St. Apostle Paul” – Ohrid Airport and construction of a new cargo airport in Stip (Official Gazette of the Republic of Macedonia No. 108/08), the Ministry of Transport and Communications is to conduct permanent and regular supervision of concession activity and realisation of the Agreement on concession.

To that effect the Ministry will engage a consulting team for a period of three years to conduct permanent and regular supervision of concession activity and realisation of the Agreement on concession. The consulting team is to report the Government of the Republic of Macedonia on a regular basis on the level of realisation of the mutual obligations arising from the Agreement on concession, especially the obligations of the concessioner.

With regard to the Alexander the Great Airport – Skopje, the concessioner TAV is expected to build a new terminal, to extend the runway, to build a parking lot, accessible road, together with a new loop, to install the ground navigation systems, the necessary communal infrastructure, to upgrade the administrative building, a new cargo terminal, a new fire station and a new aircraft park within 20 months.

With regard to the St. Apostle Paul” Airport – Ohrid, reconstruction of the existing parking lot, renovation of the buildings of the cargo centre, construction of a VIP building, a water cleaning station, reconstruction of the existing administrative building, procurement of new patrol and fire vehicles and new necessary equipment for functioning of the airport in accordance with the international standards within 12 months.

The intention of building a new cargo airport in Stip within 36 months is to make it an alternative civil aviation airport with a possibility to become a major airport in the Republic of Macedonia. The runway, a new terminal, two import-export hangars, two aircraft hangars, administrative buildings, a parking lot, necessary communal infrastructure are to be built, patrol and fire vehicles are to be procured for the purpose of optimal functioning as well as the necessary operational equipment in accordance with the international standards.

Concession of flying land for commercial aviation

The Decision on cessation and use of immovable property - flying lands of the Agency for Civil Aviation to the units of the local self-government No. 19-5066/1 of 28 December 2008 of the Government of the Republic of Macedonia provides for withdrawal of flying lands for commercial aviation from the Agency and their allocation and temporary use by the appropriate units of the local self-government units for a period of 12 months.

For the purpose of ensuring development of the commercial and sport aviation in the Republic of Macedonia and in order to maintain their function and allow for aviation development, it is necessary to give the flying lands on concession to aviation subjects.

Commission for Inspection of Accidents and Serious Incidents in Aviation

Upon the adoption of the Law Amending the Law on Aviation, the investigation of aviation accidents, serious incidents, incidents and events, and search for and rescue of an aircraft will be regulated in accordance with EU Directive 94/56 on the fundamental principles governing the investigation of civil aviation accidents and serious incidents, and EU Directive 2003/42 on occurrence reporting in civil aviation, and a Committee for their investigation will be formed as an independent investigative body in the capacity of a legal person.

National Committee for facilitation of air transport

Pursuant to Article 86 paragraph 4 of the Law on Aviation, the Government of the Republic of Macedonia adopted the National Programme for facilitation of air transport.

In accordance with the Programme and the standards referred to in Annex 9 of the Chicago Convention, it is necessary to establish a National Committee for facilitation of air transport consisting of representatives from the Ministry of Transport and Communications, the Ministry of Defence, the Ministry of Interior, the Agency for Civil Aviation, the aviation service provider, the Customs Administration, operators of aviation ports, airport service providers and air transporters.

The Committee will be responsible for undertaking measures for reception, stay and departure of aircrafts, passengers, luggage, goods, mail and other.

FOREIGN ASSISTANCE

Regional Aviation Project for implementation of the Multilateral Agreement on the establishment of a European Common Aviation Area - ECAA Agreement (CARDS 2006)

The Regional Aviation Project for implementation of the Multilateral Agreement on the establishment of a European Common Aviation Area - ECAA Agreement is a project for support of the implementation of the ECAA Agreement.

The objective of the Project is to ensure support and assistance to the beneficiary countries of the project in the implementation of EU regulations of the ECAA Agreement, as well as technical experts with regard to fulfilment of the obligations arising from the Agreement.

Beneficiary countries of this project are the Republic of Macedonia, Serbia, Croatia, Montenegro, Kosovo, Bosnia and Herzegovina and Albania.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

INSTITUTIONAL FRAMEWORK

National Coordinator for allocation of take off and landing slots.

In accordance with Article 84 paragraph 2 of the Law on Aviation, it is foreseen to adopt a bylaw of the Government of the Republic of Macedonia that should provide for nomination of an independent coordinator for allocation of slots for the purpose of harmonisation with the EU regulations.

The independent national coordinator for allocation of slots will be nominated only when the flow of passengers at the airport exceeds the number of 1,000,000 at annual basis, provided that at the same time there is a continuing lack of service capacities. Until then, allocation of slots will be done through schedule facilitator.

Organisation of Functional Airspace Blocks (FAB) and Flexible Use of Airspace (FUA)

By the end of 2009, mechanisms for coordination of the three strategic levels as prescribed by the principle of flexible use of airspace, need to be established and maintained (FUA).

By the end of 2013, it is planned to finalise the initiatives and negotiations of the Republic of Macedonia on deciding with which neighbour countries agreements for organisation of FAB will be concluded, and the national airspace will be reorganised in accordance with the established FAB.

FOREIGN ASSISTANCE

Regional Aviation Project for implementation of the Multilateral Agreement on the establishment of a European Common Aviation Area - ECAA Agreement (CARDS 2006)

The Regional Aviation Project for implementation of the Multilateral Agreement on the establishment of a European Common Aviation Area - ECAA Agreement is a project for support of the implementation of the ECAA Agreement.

The objective of the Project is to ensure support and assistance to the beneficiary countries of the project in the implementation of the EU regulations of the ECAA Agreement, as well as technical experts with regard to fulfilment of the obligations arising from the Agreement.

Beneficiary countries of this project are the Republic of Macedonia, Serbia, Croatia, Montenegro, Kosovo, Bosnia and Herzegovina and Albania.

3.14.6 STATE AID

CURRENT SITUATION

LEGAL FRAMEWORK

The legislation concerning state aid consists of the Law on State Aid (Official Gazette of the Republic of Macedonia No 24/03 and 70/06) including the bylaws adopted on the basis of the law.

INSTITUTIONAL FRAMEWORK

The competent institution for supervision and control of state aid is the Commission for Competition Protection, that is, the Sector for State Aid within the commission.

In the course of 2008 The Ministry of Transport and Communications requested an opinion from the Commission for Competition Protection regarding procurement of city buses designed for the Public Transport Enterprise "Skopje" from Skopje by funds from the Budget of the Republic of Macedonia in the amount of MKD 490,000,000.

In accordance with the regulations and the opinion of the Commission it is a compatible support of general economic interest and there is no need to be reported to and approved by the European Commission.

3.15 ENERGY

3.15.1 SECURITY OF SUPPLY

CURRENT SITUATION

LEGAL FRAMEWORK

The Energy Development Strategy will set forth the long-term goals related to the development of individual energy activities in order to provide for a secure energy supply. Following the public call for a consultant to develop the Strategy, and after completing the procedure for the selection of the best bidder, the Ministry of Economy signed a Contract with the Macedonian Academy of Sciences and Arts (MASA) for development of the respective Strategy. The timeline for completion of the Strategy is six months from the day of signing of the Contract. At the beginning of January 2009, MASA submitted the final draft of the Strategy. After a public hearing has been held, the Government of the Republic of Macedonia will have adopted the Strategy by the end of March 2009.

In December 2008, an international public call for interest in participating in a pre-qualification procedure for construction of the Hydro power plant (HPP) "Chebren" and the HPP "Galiste" was launched. The projection is that the construction of the two hydro power plants will take 8 years.

On the 6th of June 2007, the Ministry of Economy launched an international public competition for showing an interest in pre-qualification for awarding concession for construction of the HPP "Boskov most". The construction will be based on a concession according to the BOT model (Build, Operate and Transfer). Qualified companies were invited on the 22nd of October 2008 to purchase the tender documentation. The deadline for the submission of the bids is 11 February 2009.

For the implementation of this project, the JSC "Electric Power Generators of Macedonia" (ELEM) launched on the 19th of September 2008 an international public call for financing, constructing and operating a combined, gas operated Combined Cycle Heat and Power Plant (CCHPP) "Energetika", as a partner in a joint venture with "JSC ELEM". This CCHPP is projected to have an installed capacity of 300 MW for electricity generation and 150 MW for heat generation. The expected annual output for electricity and heat is 2000 GWh and 500 GWh, respectively. Total investment will be approximately EUR 250 million. Potential investors interested in this project should submit their bids by the 21st of January 2009 at the latest, which will be followed by an evaluation of the bids and by selection of the best bidder.

In December 2008, the 400 kV interconnection line between the electricity systems of the Republic of Macedonia and the Republic of Bulgaria (Stip – Crvena Mogila) was put into operation, which provides for a reliable and secure operation of both electricity systems.

A government guarantee in the amount of EUR 11 million for the construction of the 400 kV transmission line Stip (Republic of Macedonia) – Nis (Republic of Serbia) has been approved by the Government of the Republic of Macedonia, of which EUR 3 million will be own funds of the "JSC MEPSO". To this end, "JSC MEPSO" submitted the list of conditions for the envisaged credit to all international financial institutions and bilateral creditors. The World Bank's offer was selected as the best one. The length of this transmission line on Macedonian territory is 70 km.

On the 27th of October 2008, the Ministry of Economy launched an international call for showing an interest in pre-qualification for construction, operation and transfer of 12 hydro power plants Vardar Valley along the Vardar's river flow according to the concession model. The 12 hydro power plants have a total installed capacity of around 325 MW, annual output of around 1050 GWh and total investment value of around EUR 1.2 billion. This call for pre-qualification lasts until March 16, 2009.

Aiming at further development of the gas pipeline system in the Republic of Macedonia, a call for development of an Feasibility study for the gas pipeline system in the Republic of Macedonia with a preliminary design was launched on the 3rd of September 2008. The study will provide both technical and economic analyses on the following: the current status of development of the gas pipeline system; regional, cross-border and other conditions for development; proposals and means for completing the system according to the conditions in South-East Europe and in the wider area; and exploring the possibilities for using gas during the following period of 20-30 years. With this feasibility study, the strategic conditions and the phases for implementation of the gas pipeline system will be defined, as well as the priorities that need to be attended to first.

In line with the activities related to the Energy Community Treaty, the Third Ministerial Conference was held on the 18th of December 2007 in Belgrade, Republic of Serbia, at which the Ministers of the contracting countries to the Treaty adopted a Decision whereby the following legislation is to be transposed into the legislation of the signatory countries by December 31, 2009

at the latest: Directive 2005/89/EC concerning measures to safeguard security of electricity supply and infrastructure investment, and Directive 2004/67/EC concerning measures to safeguard security of natural gas supply.

Currently in the Republic of Macedonia, the competent institution for managing oil and oil derivatives reserves is the Bureau for Commodity Reserves.

Aiming towards a more rational and more efficient manner of oil and oil derivatives reserves management, as well as aiming to comply with the EU acquis, Law on Establishment of a Directorate for Mandatory Reserves of Oil and Oil Derivatives was adopted in 2008, and this Directorate will start operating in January 2009. The funds for the operations of this Directorate in the first 6 months are provided from the Budget of the Republic of Macedonia, and in future it will be financed from its own revenues.

INSTITUTIONAL FRAMEWORK

The role of policy-maker in the energy sector is entrusted to the Government of the Republic of Macedonia, i.e. in *the Ministry of Economy*. The *Sector for Energy* within the Ministry of Economy has 11 permanent staff members and 2 with a temporary employment contract.

For carrying out administrative, professional and other activities in relation to the commodity reserves, Bureau for Commodity Reserves has been established as a state administration body with the capacity of a legal entity and under the Ministry of Finance. The Bureau is responsible for its work to the Government of the Republic of Macedonia and to the Minister of Finance. The Bureau executes control over the manner of setting up, storing, renewing and utilization of the stocks, as well as over their quality and quantity. The funds for financing commodity reserves are provided from the Budget of the Republic of Macedonia and from donations.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

Energy Development Strategy of the Republic of Macedonia is envisaged to be adopted during March 2009.

In November 2009, amendments to the Law on Energy with a view to transposing the EU directives concerning the security of supply will be drafted, as an obligation arising from the Treaty Establishing the Energy Community.

In the beginning of 2009, at a proposal of the Ministry of Economy, the Government of the Republic of Macedonia will adopt an Decree on the criteria and requirements for proclamation of a electric power system crisis situation, and on the manner of supplying certain types of energy in such conditions, as well as the rights and the responsibilities of the holders of licenses for performing energy activities, in accordance with the Crisis Management Law.

The selection of the best bidder for the construction of the hydro power plant "Boskov most" is expected in the course of 2009, as well as the launch of 2 international calls for granting concession for water to be used for electricity generation by 40 mini hydro power plants.

The construction of the 400 kV transmission line between Stip (Republic of Macedonia) and Nis (Republic of Serbia) is expected to begin near the end of 2009.

The best bidder for the construction of a combined gas and heating thermal power plant "Energetika" will be selected during 2009.

It is expected that the Study on Gasification of the Republic of Macedonia will be developed during 2009, and that a decision will be made on the expansion lines of the gas supply system.

In order to transpose the Directives 68/414/EEC and 98/93/EC in the legislation related to the reserves of oil and oil derivatives, the Parliament of the Republic of Macedonia passed the Law on Commodity Reserves ("Official Gazette of the Republic of Macedonia" No. 84/08) and the Law on Mandatory Reserves of Oil and Oil Derivatives („Official Gazette of the Republic of Macedonia" 6p.84/08) in July 2008.

The application of these laws started mid January 2009.

The secondary legislation arising from the Law on Commodity Reserves and the Law on Mandatory Reserves of Oil and Oil Derivatives should be passed by mid 2009.

INSTITUTIONAL FRAMEWORK

Five (5) new employment in the Sector for Energy are envisaged, of whom 1 in the Unit for investment projects in the energy sector, 1 in the Unit for fossil fuels and 3 in the Unit for electrical energy system.

A new institution is established with the Law on Compulsory Reserves of Oil and Oil Derivatives - Directorate for Compulsory Reserves of Oil and Oil Derivatives, as holder of the rights, obligations and responsibilities within the operations with the compulsory reserves, which will start operating by mid February 2009 at the latest.

New employees are foreseen in the Directorate (some will be transferred and some will be new hires).

The Directorate for Compulsory Reserves of Oil and Oil Derivatives will be financed from the fee paid by the importers and/or producers of oil derivatives, unlike the method to this point from the Budget assets.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

It is planned to start several specific projects in the electricity and gas pipeline sectors during 2010 and 2011, thus increasing the security of the energy supply in the country, as follows:

400 kV interconnection between Bitola (Republic of Macedonia), Elbasan (Republic of Albania) and Italy, and upgrading of the existing 200 kV interconnection between Macedonia and Kosovo to 400 kV line.

In 2010, it is planned to launch international public calls for granting concession for water for the purpose of electricity generation by mini hydro power plants.

As regards the gas pipeline system, the plan is to start building major gas lines.

INSTITUTIONAL FRAMEWORK

Four new employments in the Sector for Energy of the Ministry of Economy are planned for 2010, and in 2011 there should be 3 additional new hires.

3.15.2 INTERNAL ENERGY MARKET

CURRENT SITUATION

LEGAL FRAMEWORK

The Treaty Establishing the Energy Community between the contracting countries to the Athens Memoranda was signed on the 25th of October 2005. The treaty was ratified by seven signatory countries and entered into force on the 1st of July 2006. This is a legally binding document that gives the Memoranda provisions importance of a legal obligation.

The main goals of the Treaty are as follows: (1) establish an integrated market in natural gas and electricity in South-East Europe, which is to function according to the rules and principles applicable within the European Union markets with the aim of future integration into the EU; (2) provide for a stable, reliable and economical energy supply - as a service of public interest - from the systems and sources in the neighbourhood, as well as for a high level of access to that energy for all consumers; (3) create a single legal and regulatory framework and stable market relations for trading in electricity and natural gas within the entire territory of the region with a view to attracting the necessary investments from the private sector and creating conditions for sustainable development; (4) develop gas and electricity market competition and liquidity on a broader scale and exploit economies of scale; and (5) improve the general environmental situation, the related energy efficiency and the social conditions in the society of the EU Member States.

The implementation of the Treaty establishing an energy community continued during 2008.

The energy market in the Republic of Macedonia is regulated by the *Law on Energy* ("Official Gazette of the Republic of Macedonia", No.63/06, No.36/07 and No.106/08).

I. ELECTRICITY MARKET

1. "JSC ELEM" is a regulated electricity producer, which is obliged to provide a public service. Upon a previous approval by the Energy Regulatory Commission, the company contracts the following at regulated prices and tariffs approved and published by the Energy Regulatory Commission:

- The operator of the electricity system responsible to provide systemic services including the electricity necessary for covering the technical losses during transformation and transmission of electricity in amounts approved by the Energy Regulatory Commission.
- The Supplier responsible for delivery of power and electricity to the retail tariff consumers covering the entire needs of the latter and in amounts that the supplier decided to refrain from procuring on the market, excluding the electricity losses within the transmission and distribution system.
- The operator of the distribution system responsible for delivery of electricity necessary for covering the technical losses during transformation and distribution of electricity in amounts approved by the Energy Regulatory Commission.
- The regulated producer of electricity is obliged to provide the supplier of electricity for retail tariff consumers with the following:
- The needed amounts of electricity from its own generation capacities and if necessary, from other electricity producers and/or electricity traders;

- The necessary transmission capacity and regulated services.
 - The regulated producer of electricity may enter into sale contracts, or otherwise sell the surplus of power and electricity at market conditions, in an open, transparent and non-discriminatory manner.
2. "JSC MEPSO" – The operator of the electricity transmission system of Macedonia is the owner of the entire equipment for electricity transmission, and performs maintenance, planning for construction and extension of the transmission network, management of the electrical energy system, as well as organising and managing the electricity market.
3. "JSC EVN - Macedonia", as supplier of electricity for retail tariff consumers, purchases power and electricity from the regulated electricity producer, other electricity producers, electricity traders and from distributed electricity producers, as well as the needed transmission and distribution capacity and regulated services, for the needs of the tariff consumers of electricity connected to the transmission network, at regulated prices. The supplier of electricity for retail tariff consumers may purchase power and electricity from other electricity producers and/or electricity traders only if the market conditions and prices are more favourable than the conditions and prices set for the regulated electricity producer, in a clearly defined transparent and non-discriminatory way that will guarantee equal access for all domestic and foreign legal entities. This procurement should be approved by the Energy Regulatory Commission.
4. Electricity traders purchase electricity for the purpose of selling it to eligible consumers, to the regulated producer, and to the supplier of retail tariff consumers, or they act as a broker for electricity purchase and sale in and outside of the country.
5. There are two types of electricity consumers in the Republic of Macedonia, as follows:
- Tariff consumers, i.e. consumers who purchase electricity according to prescribed tariff positions for their own needs;
 - Eligible consumers, i.e. consumers who purchase electricity freely from a trader, independent electricity producer and from imports at their own choice.
- In 2008, the Ministry of Economy established a working group composed of several institutions with a view to finding an appropriate legal solution for the establishment of an electricity exchange.
- Pursuant to Article 80 of the Law on Energy, "JSC EVN – Macedonia", as the operator of the electricity distribution system, upon prior approval by the Energy Regulatory Commission, adopted and published the Grid Code for Electricity Distribution on the 7th of July 2008 (Official Gazette of the Republic of Macedonia No. 83/2008).
- On the 31st of December 2008, "JSC MEPSO", as market operator, submitted a draft text of the Electricity Market Code to the Energy Regulatory Commission in line with the latest amendments to the Law on Energy and with the new role of the participants in the electricity market. The Energy Regulatory Commission will approve of the Market Code in the first quarter of 2009.
- On the 31st of December 2008, "JSC MEPSO", as an operator of the electrical energy system, submitted draft Amendments to the Grid Code for Electricity Distribution to the Energy Regulatory Commission in line with the latest amendments to the Law on Energy and with the new role of the participants in the electricity market. The Energy Regulatory Commission will approve these amendments to the Grid Code for Electricity Transmission in the first quarter of 2009.
- The application of the Decisions on declaring the capacity of eligible electricity consumer adopted by the Energy Regulatory Commission started as of the 1st of January 2008, whereby 9 electricity consumers - connected to the transmission network, as follows: cement plant "CEMENTARNICA USJE JSC" - Skopje, "OKTA" oil refinery shareholding company – Skopje, "SKOPSKI LEGURI DOOEL" import-export Skopje, "MAKSTIL JSC" – Skopje, "FENI INDUSTRI JSC" - Kavadarci, "SILMAK DOOEL" export-import village of Jegunovce - Tetovo, "BUCIM DOOEL" - Radovis, "ARCELORMITTAL SKOPJE (CRM) JSC" - Skopje and "ARCELORMITTAL SKOPJE (HRM) AD" - Skopje - have become eligible electricity consumers. With the latest amendments to the Law on Energy(Official Gazette of the Republic of Macedonia No. 106/08), the Regulatory Commission has no competences over the eligible electricity consumers, i.e. the Energy Agency of the Republic of Macedonia keeps a Register of eligible electricity consumers.
- The Energy Regulatory Commission adopted a Rulebook amending the Rulebook on the requirements, method and procedure for issuing, modifying and withdrawing licenses for engaging in energy-related businesses (Official Gazette of the Republic of Macedonia, No. 64/08) on the 20th of May 2008, which sets forth the procedure for issuing a license when the application therefore has been submitted in line with the Article 39 of the Law on Energy, i.e. in case when the entity involved in an energy-related business has not built the energy facility yet, but has been issued a Decision authorising the construction and a Building Permit. In addition, this Rulebook sets forth the procedure for issuing a license for engaging in the energy business of combined generation of electricity and thermal energy.

In the course of 2008, the Energy Regulatory Commission adopted:

- 9 Decisions on issuing licenses for engaging in the energy business of trading in electricity;
- 1 Decision on issuing a license for engaging in the energy business of combined generation of electricity and thermal energy to "TE-TO JSC - Skopje";
- 1 Decision on issuing a license for engaging in the energy business of operating the electricity distribution system to "JSC ELEM" - Skopje;
- 1 Decision on issuing a license for engaging in the energy business of supplying electricity to retail tariff consumers to "JSC ELEM" - Skopje.

On the 29th of October 2008, the Energy Regulatory Commission held a main session and made the following decisions, which were published in the Official Gazette of the Republic of Macedonia No. 135/2008:

- Decision on determining the price of the electricity that the regulated electricity producer "JSC ELEM" - Skopje will provide for the needs of the tariff consumers for the period from the 1st of November until the 31st of December 2008;
- Decision on determining the price of the service for electricity transmission, transmission system management and organisation of the electricity market by "JSC MEPSO"- Skopje for the period from the 1st of November until the 31st of December 2008;
- Decision on approval of a regulated maximum revenue and price for the businesses of electricity distribution and management of the system for distribution and supply of electricity for 2008, and of the average price of electricity at which "EVN Macedonia JSC – Skopje" will supply the retail tariff consumers for the period from the 1st of November until the 31st of December 2008.

The tariff rates for sale of electricity to the tariff consumers connected to the transmission network have increased for 13.61% since the 1st of November 2008.

The World Bank provided technical assistance to the Energy Regulatory Commission in order for them to adjust the "Rulebook on the method and conditions for regulating electricity prices" in line with the new market model and meetings with the consultants were held in the period between May and November 2008. On the 3rd of October 2008, the ERC presented a presentation of the new methodology for regulating electricity prices, which was attended by representatives of "JSC ELEM", "AD MEPSO", "EVN Macedonia JSC – Skopje", the Ministry of Economy, the Ministry of Finance, the Energy Agency, the Commission for Protection of Competition and other relevant institutions.

On the 12th of December 2008, the Energy Regulatory Commission held a preparatory session about the new "Rulebook on the method and conditions for regulating electricity prices", and adopted it on the 31st of December 2008 and published it in the Official Gazette of the Republic of Macedonia No.167/08). In accordance with the new rulebook, the regulated companies are obliged to submit a request for setting of a regulated maximum revenue and price for the regulated period until the 28th of February 2009 inclusive. The procedure relative to the request will be completed within 60 days from the day of submission of the request.

II. NATURAL GAS MARKET

On the 1st of January 2008, the Decision proclaiming the district heating company "Toplifikacija JSC" – Skopje an eligible consumer of natural gas, adopted by the Energy Regulatory Commission, entered into force.

In line with the "Rulebook on the requirements, method and procedure for issuing, modifying and withdrawing licenses for engaging in energy-related businesses" (Official Gazette of the Republic of Macedonia, No.47/05 and 64/08), the Energy Regulatory Commission adopted:

- Decision on issuing a license for engaging in the energy business of natural gas distribution to "J.P. KUMANOVO – GAS" – Kumanovo in September 2008; and
- Decision on issuing a license for engaging in the energy business of trading in natural gas to the company "MAKGAS KONSULT DOO - Skopje" in October 2008.

The company "JSC GA-MA", as a holder of the license for operating the natural gas transmission system, submitted to the ERC a draft text of the "Grid Code for transmission of natural gas", which is now in a procedure of harmonisation.

In 2008, the Energy Regulatory Commission adopted 4 Decisions setting the sale price of the natural gas for each quarter in 2008.

On the 29th of December 2008, the Energy Regulatory Commission adopted the "Rulebook amending the Rulebook on the method and procedure for regulating the prices for transport, distribution and supply of natural gas" (Official Gazette of the Republic of Macedonia, No.164/08), whereby the regulated period was extended for one more year.

III. THERMAL ENERGY MARKET

The JSC "Toplifikacija" – Skopje, as holder of the license for distribution of thermal energy, submitted to the Energy Regulatory Commission a draft text of the "Grid Code for distribution of thermal energy for heating", which is now in a procedure of harmonisation.

In July 2008, the Energy Regulatory Commission adopted 3 Decisions amending the Decisions on the average price for production, distribution and supply of thermal energy for heating for a regulated period for the companies "Toplifikacija JSC" – Skopje, "Skopje Sever JSC" – Skopje and "JSC ELEM – Energetika Skopje". Moreover, the Energy Regulatory Commission adopted 3 Decisions approving a Pricelist – tariff for delivery of thermal energy for heating to tariff consumers for the companies "Toplifikacija JSC" – Skopje, "Skopje Sever JSC" – Skopje and "JSC ELEM – Energetika Skopje" for the period between the 1st of August 2008 until the 31st of December 2008. On the 4th of December 2008, the Energy Regulatory Commission adopted a Decision amending the Decisions on the average price for production, distribution and supply of thermal energy for heating for a regulated period for the company "Skopje Sever JSC" – Skopje, for the period between the 1st of November 2008 until the 31st of December 2008, whereby the price for thermal energy for heating went down for 15,88 %.

On the 29th of December 2008, the Energy Regulatory Commission adopted a "Rulebook amending the Rulebook on the method and procedure for regulating the prices for thermal energy for heating"(Official Gazette of the Republic of Macedonia, No.164/08), whereby the regulated period was extended for one more year.

IV. OIL AND OIL DERIVATIVES MARKET

In 2008, the Energy Regulatory Commission adopted Decisions setting the highest prices of individual oil derivatives for every fortnight, in line with the Methodology for establishments of price for individual oil derivatives specified in the Annex D to the "Agreement on buying and selling shares and on concession of the refinery JSC "OKTA" – Skopje", signed between the Government of the Republic of Macedonia and the shareholding company "EP.P.E.T. – Balkanike" as strategic investor.

INSTITUTIONAL FRAMEWORK

The *Government of the Republic of Macedonia*, i.e. the *Ministry of Economy* has the role of policy-maker in the energy sector. The Sector for Energy within the Ministry of Economy consists of a Unit for Electrical Energy System with 2 staff members and a Unit for Analysis and Development of the Energy Sector with 3 staff members.

The legal framework for the establishment and the operations of the *Energy Regulatory Commission of the Republic of Macedonia* is provided for in the Law on Energy, published in *Official Gazette of the Republic of Macedonia*, No. 63/06, 36/07 and 106/08. The Energy Regulatory Commission is an independent body regarding its operations and decision-making within the limits of the competences provided by the Law on Energy. In accordance with the Law on Energy, the Energy Regulatory Commission has the capacity of a legal entity. The Energy Regulatory Commission is composed of 5 members. The members and the President of the Energy Regulatory Commission, who is also one of the members, are elected and dismissed by the Assembly of the Republic of Macedonia at the proposal of the Government of the Republic of Macedonia, taking into consideration the need for appropriate and equitable representation of the members of all communities.

There were changes in the structure of the members of the Energy Regulatory Commission with the election of 2 new members in December 2007 and March 2008 by the Assembly of the Republic of Macedonia, at the proposal of the Government of the Republic of Macedonia.

On the 29th of September 2008, the Energy Regulatory Commission submitted a draft Financial Plan of the Energy Regulatory Commission for 2009 to the Assembly of the Republic of Macedonia for approval, which contains all the revenues and expenditures of the Energy Regulatory Commission. On the 3rd of December 2008, the Assembly of the Republic of Macedonia approved the Financial Plan of the Energy Regulatory Commission for 2009. This Financial Plan envisions new hires, which is aimed at increasing the capacity of the Energy Regulatory Commission to ensure efficient monitoring of the functioning of the market, effective competition and transparency and increased protection of consumers' rights.

The Energy Regulatory Commission submitted on the 31st of March 2008 a detailed "Annual Report on the Operations and Detailed Information about the Material and Financial Operations of the Energy Regulatory Commission in 2007" to the Assembly of the Republic of Macedonia, the Government of the Republic of Macedonia and the Ministry of Economy. The Annual Report on the Operations of the Energy Regulatory Commission for 2007 is published on the website of the Energy Regulatory Commission: www.erc.org.mk.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

In 2009, the *Ministry of Economy* will approach towards drafting of the amendments to the Law on Energy, with the purpose of further harmonisation with the EU Acquis, notably with: Directive 2003/54/EC concerning common rules for the internal market in electricity, Directive 2003/55/EC concerning common rules for the internal market in natural gas, Regulation 1228/2003 on

conditions for access to the network for cross-border exchanges in electricity, and Regulation 1775/2005 on conditions for access to the natural gas transmission networks.

The bylaws needed for establishing a functioning energy market, such as the Market Code for Electricity, the Amendments to the Grid Code for Transmission of Electricity, the Amendments to the Grid Code for Distribution of Electricity, the Grid Code for Transmission of Natural Gas and the Grid Code for Distribution of Thermal Energy, in accordance with the Law on Energy will be adopted by during 2009, by the *Energy Regulatory Commission of the Republic of Macedonia*.

Also during 2009, the Energy Regulatory Commission will adopt the following bylaws: Tariff System for Sale of Electricity, Conditions for Supply of Electricity, Conditions for Supply of Natural Gas, Conditions for Supply of Thermal Energy, Rules for Dispute Resolution and Ethical Code of the Energy Regulatory Commission.

INSTITUTIONAL FRAMEWORK

Two (2) new employments in the Energy Regulatory Commission are envisaged for 2009 and additional 2 employments which were envisaged for 2008 will be realised in 2009: one (1) associate in the legal sector, one (1) associate in the economic sector and two (2) associates in the technical sector.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

Activities for harmonisation of the national legislation with the EU *Acquis* will continue during the period 2010-2011; conditions for electricity market liberalisation will be created; in line with the Government of the Republic of Macedonia's plans for opening of the electricity market, the consumers connected to the voltage level of 10/20/35 kV will acquire the status of eligible consumers starting from the 1st of January 2010.

With a view to ensuring reliable and secure functioning of the energy market, the Energy Regulatory Commission will adopt Regulation on Energy Market Monitoring.

INSTITUTIONAL FRAMEWORK

In order to enable unrestricted discharge of the competences of the Energy Regulatory Commission, it is planned to strengthen their administrative capacity needed for the energy market monitoring.

FOREIGN SUPPORT

In 2008, the Energy Regulatory Commission had meetings with the consultants commissioned by the EC Delegation in the Republic of Macedonia for the Technical assistance in developing the draft requirements to create the recommendations and twinning project fiche for supporting the Energy Regulatory Commission, which will begin in 2009. This project will provide technical assistance and recommendations to the Energy Regulatory Commission on how to implement the activities and commitments defined in the Law on Energy and in the Treaty Establishing the Energy Community, and how to prepare: manuals for the future development of the market and criteria for opening of the market in line with the requirements of the Treaty Establishing the Energy Community; review of tariffs and prices; rulebooks on price regulation and other bylaws; new tariff methodology for prices of electricity and thermal energy from combined gas-run power plants; report on the implementation of a harmonisation monitoring system; Communication Strategy etc.

In 2008, the World Bank provided technical assistance to the Energy Regulatory Commission of the Republic of Macedonia for harmonising the "Rulebook on the method and conditions for regulating electricity prices" with the new model of electricity market.

In 2008, the World Bank expressed readiness to provide technical assistance to the Energy Regulatory Commission when drafting the "Tariff system for sale of electricity ". This project will start in 2009.

USAID provided technical assistance for drafting of the "Market Code for Electricity", and for revision of the "Grid Code for Transmission of Electricity" and "Grid Code for Distribution of Electricity".

The implementation of the IPA 2009 project for strengthening of the institutional capacity of the Sector for Energy in the Ministry of Economy and of the Energy Agency of the Republic of Macedonia will start end of 2010/beginning of 2011.

3.15.3 STATE AID

Pursuant to the Law on Mineral Raws ("Official Gazette of the Republic of Macedonia" No. 24/07, 88/2008), coal is an energy mineral raw material.

Energy mineral raws are of public interest. Detailed geological surveys of energy mineral raws are carried out on the basis of an Annual Programme for detailed geological surveys of energy mineral raws adopted by the Government at the proposal of the Minister in charge of the state administration authority responsible for the activities in the area of mineral raws.

Pursuant to this Law, its provisions do not apply to the procedures for awarding concessions for detailed geological surveys and exploitation of mineral raws to public enterprises/public institutions, i.e. companies influenced by the State either directly or indirectly through the ownership thereof. For these companies, concessions for detailed geological surveys of the mineral raw material coal are granted following the submission of an application, through a procedure conducted pursuant the Law thereof.

When the owner of the findings of the detailed geological surveys is the Republic of Macedonia, concession for exploitation of mineral raws will be granted on the basis of a public call.

Pursuant to the law, for public enterprises/public institutions, i.e. companies influenced by the State either directly or indirectly through the ownership thereof, concession for exploitation of mineral raws is awarded on the basis of an application. These entities pay for concession fee as follows:

- Lump sum fee, on a basis of the issuing a concession for detailed geological surveys;
- Concession fee for exploitation on the grounds of use of the space which the concession was awarded for; and
- Concession fee on the grounds of exploited mineral raw material.

Pursuant to the Law on Energy (Official Gazette of the Republic of Macedonia No. 63/2006, 36/2006 and 106/2008), the legal entity engaged in an energy-related business of public interest - in case it also runs some other energy-related business that is not of public interest - is obliged to provide for separate account for each of its energy businesses of public interest.

3.15.4 RENEWABLE ENERGY

CURRENT SITUATION

1. Rulebook on the Renewable Energy Sources for Electricity Production

Aiming towards harmonisation of the national legislation with the EU Acquis in the area of renewable energy sources, and pursuant to Article 139 of the Law on Energy (Official Gazette of the Republic of Macedonia 63/2006, 36/2007 and 106/08), the Ministry of Economy adopted the abovementioned Rulebook and published it in the "Official Gazette of the Republic of Macedonia No.127/2008", in October last year. The respective Rulebook transposes one part of the Directive 2001/77/EC.

The types of plants that use renewable energy sources for electricity production, as well as the method of measuring the potential of the wind energy are specified with the concerned Rulebook. This Rulebook regulates the manner of issuance of the permission for measuring the potential of the wind energy, as well as the other activities related to the utilisation of renewable energy sources for electricity production. This Rulebook also regulates the manner of keeping the Register of the plants that use renewable energy sources for electricity production, which represents the records on the plants that use renewable energy sources for electricity production within the territory of the Republic of Macedonia.

2. Rulebook on the manner of issuing certificates for the origin of electricity produced from renewable energy sources, as well as the content, form and manner of keeping the Register of issued certificates for the origin of electricity produced from renewable energy sources

Aiming towards harmonisation of the national legislation with the EU Acquis in the area of renewable energy sources, and pursuant to the Law on Energy and the National Programme for Adoption of the Acquis, the Ministry of Economy adopted the abovementioned Rulebook and published it in October in the "Official Gazette of the Republic of Macedonia No.127/2008".

The Rulebook concerned transposes Article 5 of the Directive 2001/77/EC, which relates to Guarantees of Origin of electricity produced from renewable energy sources, i.e. it regulates the manner of issuance, transfer and withdrawal of the Guarantees of Origin of electricity produced from renewable energy sources, as well as the method, form and contents of the Register of Guarantees of Origin of electricity produced from renewable energy sources.

The goal of the adoption of this Rulebook and of its implementation is to encourage the production of electricity from renewable energy sources, and its application will start as of the 1st of January 2009, i.e. considering the fact that this period in which one will be able to undertake all the activities for adaptations and for creation of realistic conditions for implementation of the provisions of this rulebook will be sufficient.

3. Rulebook on the Manner and Procedure for establishing and approving feed-in tariff for the purchase and sale of electricity produced from photovoltaic systems

On the 4th of September .2008, the Energy Regulatory Commission adopted a "Rulebook on the manner and procedure for establishing and approving of feed-in tariff for the buying and selling of electricity produced from photovoltaic systems" and a "Decision setting feed-in tariff for the purchase and sale of electricity produced and delivered from photovoltaic systems that have

acquired the status of electricity producer" with feed-in tariffs, and published them in the "Official Gazette of the Republic of Macedonia No.112/2008".

4. Rulebook prescribing the manner of acquiring the status of preferential producer of electricity produced from renewable energy sources, as well as the contents, the form and the manner of keeping the Register of preferential producers of electricity produced from renewable energy sources

This Rulebook regulates the conditions, the manner and the procedure for acquiring the status of preferential producer of electricity produced from renewable energy sources (hereinafter: preferential producer), as well as the contents, the form and the manner of keeping the Register of preferential producers of electricity produced from renewable energy sources. The status of preferential producer of electricity is acquired on the basis of a "Decision on acquisition of the status of preferential producer", which according to this Rulebook is issued by the Energy Agency of the Republic of Macedonia at the request of the producer or an authorised representative thereof, in a procedure established by this rulebook. The rulebook has been drafted and is expected to be enacted in the beginning of 2009.

5. Manual on construction and operation of wind power plants in the Republic of Macedonia

The Ministry of Economy, in cooperation with the Ministry of Transport and Communications, the Ministry of Environment and Physical Planning, the Energy Agency, the Energy Regulatory Commission and "JSC ELEM" developed a "Manual on construction and operation of wind power plants in the Republic of Macedonia". This manual is published on the website of the Ministry of Economy.

INSTITUTIONAL FRAMEWORK

The Government of the Republic of Macedonia, i.e. in the *Ministry of Economy* has the role of policy-maker in the energy. The *Sector for Energy* within the Ministry of Economy has 11 permanent staff members and 2 with a temporary service contract. The Sector for Energy has a special Unit for energy efficiency and renewable sources with a total of 2 staff members.

In the period September 2007 - April 2008, some of the staff members of the Sector for Energy attended the training "Energy Training Programme for South East Europe", which took place in Ljubljana, Republic of Slovenia, and was implemented by the Ministry of Economy of the Republic of Slovenia, the Centre for European Perspective, "Borzen" company and the British Embassy in Ljubljana. The training was organised for representatives of the Treaty for Establishing the Energy Community contracting countries.

The Energy Regulatory Commission is independent in its operations and decision-making process within the scope of the Law on Energy, and is responsible for monitoring the energy market and recommending appropriate measures for the functioning thereof. The five members of the Regulatory Commission are appointed and dismissed by the Assembly of the Republic of Macedonia, at the proposal of the Government. The Assembly also approves the Regulatory Commission's Budget. Pursuant to the Law on Energy, the Energy Regulatory Commission establishes feed-in tariffs for electricity sold by preferential producers of electricity and by producers of electricity from highly efficient combined plants. The Energy Regulatory Commission has the capacity of a legal entity. The Energy Regulatory Commission is composed of five members. The members and the President of the Energy Regulatory Commission, who is also one of the members, are elected and dismissed by the Assembly of the Republic of Macedonia at the proposal of the Government of the Republic of Macedonia, taking into consideration the need for appropriate and equitable representation of the members of all communities. There were changes in the structure of the members of the Energy Regulatory Commission with the election of 2 new members in December 2007 and March 2008 by the Assembly of the Republic of Macedonia, at the proposal of the Government of the Republic of Macedonia. Five members and twelve employees are employed in the Energy Regulatory Commission. On the 29th of September 2008, the Energy Regulatory Commission submitted a draft Financial Plan of the Energy Regulatory Commission for 2009 to the Assembly of the Republic of Macedonia for approval, which contains all the revenues and expenditures of the Energy Regulatory Commission. On the 3rd of December 2008, the Assembly of the Republic of Macedonia approved the Financial Plan of the Energy Regulatory Commission for 2009.

New employments are envisaged by this Financial Plan, aiming at increasing the capacity of the Energy Regulatory Commission to ensure efficient monitoring of the functioning of the market and renewable energy. Some of the staff members attended various workshops and trainings, including the "Energy Training Programme for South East Europe" which took place in Ljubljana, Republic of Slovenia, and was implemented by the Ministry of Economy of the Republic of Slovenia, the Centre for European Perspective, Borzen Company and the British Embassy in Ljubljana.

The Agency for Energy of the Republic of Macedonia is responsible for developing short-term and long-term strategies and development plans, long-term and short-term programmes for energy efficiency (EE) and utilisation of renewable energy sources (RES), and for preparatory and coordination activities for the implementation of investment projects. The Agency is consisting of a director and 4 staff members. The Agency for Energy, which was established in 2006, hired new staff in 2007 and 2008 and currently has 6 staff members. By year, the situation is as follows: in 2006 the Agency had 1 employee who was the acting director,

with a contract for a definite period of time; in 2007, four persons were employed and a director of the Agency was selected and employed; in 2008, only one person was employed. As of the 31st of December 2008, the Agency has 6 employees. In order for the Agency to be able to realize its duties, which arise from the Law on Energy, the Law establishing the Energy Agency, the Operational Programme for 2008 and the GEF-sponsored Sustainable Energy Project, applications have been submitted for new employments and permission has been obtained from the Ministry of Finance to hire 3 people with a temporary contracts, and this has actually been put in place.

For the purpose of strengthening the institutional and human capacity of the Agency, the first component of the Sustainable Energy Project provides for a series of measures for education and training of the staff in the area of energy efficiency. In 2008, the responsible persons in the project for procurement and finance underwent training in Turin, Italy. In addition, in cooperation with the Macedonian Centre for Energy Efficiency, a several months training of the Agency staff in energy performance controls of buildings is underway. An Advisory Body for Project Development has been established within the Sustainable Energy Project with the purpose of providing sustained support to energy projects. This advisory body works together with the Project Implementation Unit under the Energy Agency, and has a team leader, an economist and a junior associate who are fully financed by the GEF project. The advisory body also delivers specific training for the Agency staff, as well as for the partners of the Agency in the implementation of this project. Following the completion of the training, the staff of the Agency actively participates in identification of energy projects in the area of renewable energy sources and energy efficiency, in evaluation and possible improvement thereof, and in putting forward project-proposals with the supporting documentation to the Macedonian Bank for Development Promotion and to the commercial banks.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

Renewable energy sources

In the forthcoming period and pursuant to the Law on Energy, it is envisaged to adopt the remaining acts related to the utilisation of the renewable energy sources with the purpose of harmonisation with the EU legislation, as well as keeping track of all the innovations happening in the respective area, as follows:

1. Act prescribing the target percentage of electricity produced by preferential producers from renewable energy sources, as well as the method and dynamic of achieving the target percentage of electricity produced from renewable energy sources in the total consumption of electricity

The Government of the Republic of Macedonia prescribes the target percentage of electricity produced by preferential producers from renewable energy sources and from highly efficient combined plants, as well as the method and schedule of achieving the target percentage of electricity produced from renewable energy sources and from highly efficient combined plants in the total consumption of electricity.

2. Act determining the amount of the installed capacity of plant for acquiring the status of preferential producer of electricity from renewable energy sources.

The Government of the Republic of Macedonia specifies the amount of the installed capacity of the plant required for acquiring the status of preferential producer of electricity from renewable energy sources and from highly efficient combined plants.

3. Base study on the utilisation of renewable energy sources

On the 2nd of September 2009, the Ministry of Economy signed a Contract for Consulting Services with the Macedonian Academy of Sciences and Arts for developing a base study on the utilisation of the renewable energy sources in the Republic of Macedonia, for which funds were provided from the Swiss Compensation Fund in the amount of MKD 4.000.000 plus MKD 720.000 from the budget of the Ministry of Economy for paying the VAT.

The study, which should be completed within 4 months following the conclusion of the contract with the consultant, will determine the potential for using the renewable energy sources in the country, such as the hydro, wind, solar, geothermal and biomass energy. Furthermore, the study will define the long-term goals related to the utilization of the renewable energy sources, as well as the ways in which these goals are to be achieved.

4. Subsidies for greater utilisation of the solar energy

Electricity savings of 5 kWh - 7 kWh a day per household can be made by using solar thermal collectors, which implies financial saving of around 30 denars (0,5 EUR) per day for single household. If collectors are used 8 months a year, one could make annual electricity savings of around 1700 kWh per household, and the annual financial savings would be around 7000 denars (115 EUR). From the abovementioned, it can be concluded that the investment for installing solar thermal collectors could be returned for a period of 5 to 7 years. Annually, for 1000 households, by using these solar collectors 8 months in a year, around 1700 MWh of electricity savings could be made, which means financial savings of EUR 115.000 a year. If 500.000 households in the country installed solar thermal collectors, the annual energy impact at national level would be 840.000 MWh of electricity savings, and the economic impact would be around EUR 58.000.000 of financial savings a year.

During 2007, the incentive of subsidising the first 500 buyers of solar thermal collectors that have adequately installed them in their homes was put in place. The incentive amounted to 30% of the investment, but not more than EUR 300 per applicant. In September 2007, the Value Added Tax for solar collectors and systems was decreased from 18% to 5%, which resulted in reduced prices of the solar collectors.

Because of the great interest in using solar energy among households, and also because of the success of the measures for providing incentives, the Ministry of Economy earmarked MKD 9.000.000 in the 2009 Budget for further subsidising of the households that will install solar thermal systems in their homes.

5. Rulebooks on the manner and procedure for setting and approving feed-in tariff for the buying and selling of electricity produced from plants using biomass and solar energy

During 2009, the Energy Regulatory Commission will adopt two Rulebooks on the manner and procedure for setting and approving feed-in tariff for the purchase and sale of electricity produced from plants using biomass and solar energy, as well as two Decisions on setting feed-in tariff for the purchase and sale of electricity produced from these renewable sources.

INSTITUTIONAL FRAMEWORK

The role of policy-maker in the energy sector is vested in the Government of the Republic of Macedonia, i.e. in *the Ministry of Economy*. The *Sector for Energy* within the Ministry of Economy has 11 permanent staff members and 2 with a Temporary Service Contract. The Sector for Energy has a special Unit for energy efficiency and renewable sources with a total of 2 staff members.

The Energy Regulatory Commission sets feed-in tariffs for electricity sold by preferential producers of electricity and by producers of electricity from highly efficient combined plants. The Financial Plan envisions new hires, which is aimed at increasing the capacity of the Energy Regulatory Commission to ensure efficient monitoring of the functioning of the market and renewable energy. On the 3rd of December 2008, the Assembly of the Republic of Macedonia approved the Financial Plan of the Energy Regulatory Commission for 2009.

The Energy Agency of the Republic of Macedonia is responsible for developing short-term and long-term strategies and development plans, long-term and short-term programmes for energy efficiency (EE) and utilisation of renewable energy sources (RES), and for preparatory and coordination activities for the implementation of investment projects. The Agency has a director and 4 staff members. It is envisaged to hire 3 new staff members in 2009, and 2 more in 2010.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

1. Programme for implementation of the Base study on the utilisation of renewable energy sources

At the proposal of the Ministry of Economy, the Government of the Republic of Macedonia adopts a Programme for implementation of the Base study on the utilisation of renewable energy sources. The programme specifies the measures for improving the use of the RES, indicating in particular: measures; financial sources; implementation conditions; performance indicators; technical regulations and national standards for the RES; other necessary data and the holders of the activities and deadlines for the completion of the envisaged activities. The Programme is enacted for a period of 5 years.

The Ministry of Economy should develop a Biannual Report on the implementation of the Programme for implementation of the Strategy on renewable energy sources utilisation and on the progress made in the utilisation of the renewable energy sources, as well as concerning the use of bio fuels in the transport sector.

The newly adopted EU directives in the respective area should be kept track of, and transposed into the national legislation.

INSTITUTIONAL FRAMEWORK

Institutional capacity development

During the period 2010-2011, the *Ministry of Economy* plans to strengthen the capacity and to train the staff in monitoring the inclusion of the renewable energy sources into the country's energy consumption.

The Energy Regulatory Commission plans to strengthen the capacity and to train the staff in monitoring the energy market and especially the renewable energy segment thereof, dispute resolution, and monitoring the fulfilment of the obligations from the issued licenses.

The Energy Agency plans to strengthen the capacity and to train the staff in monitoring the inclusion of the renewable energy sources into the country's energy consumption. In order to be able to discharge its duties from the Law on Energy and the Law Establishing the Energy Agency, as well as the undertaken obligations to implement the international projects in the period of the next couple of years, a new act on systematisation of working posts is planned to be adopted and adequately filled in.

FOREIGN SUPPORT

1. Project "Solar Water heaters"

This project was implemented with a grant from the Austrian Government amounting to EUR 300.000 and a contribution by the Macedonian side amounting to EUR 20.000. Within this project, a solar test centre (laboratory) was installed in the Hydro-meteorological Administration in Skopje to test the solar collectors as to whether they fulfil the applicable standards required for their further placement on the domestic and foreign markets.

The future activities related to the solar test centre should include training and development of the staff in the Hydro-meteorological Administration responsible for operation and maintenance of the laboratory, in order for the centre to become operational as soon as possible and to start testing the first solar collectors.

2. GEF- Sustainable Energy Project

For the implementation of the project, the following agreements with the World Bank were signed on the 26th of February 2007:

- (1) Global Environment Facility Trust Fund Grant Agreement, concluded between the Ministry of Finance and the World Bank;
 - (2) "JSC MEPSO" Project Agreement, concluded between "JSC MEPSO" and the World Bank, and
 - (3) MBDP Project Agreement concluded between the Macedonian Bank for Development Promotion (MBDP) and the World Bank.
- On the 31st of July 2007, grant money from the GEF (Global Environmental Facility) in the amount of USD 5.500.000 became effective for the implementation of the project.
 - The goal of the project is to promote investments for increased energy efficiency (EE) and increased use of the renewable energy sources (RES) through elimination of the institutional and financial barriers.
 - The following components are financed within the framework of project implementation:
 - Component 1: Technical assistance for drafting bylaws in the area of EE and RES and for developing projects on EE and RES, which is implemented through the Energy Agency of the Republic of Macedonia, for which a grant of USD 1.000.000 has been provided for.
 - Component 2: Developing and supporting a company for energy-related services – ESCO (MT ESCO), for the purpose of providing the "third party financing" for energy efficiency projects, mainly in the public sector, for which a grant of USD 800.000 has been provided for.
 - Component 3: Financial support for the projects in the area of EE and RES, implemented through the Macedonian Bank for Development Promotion (MBDP), which is the institution for implementation of this part of the grant in the amount of USD 3.700.000. For the implementation of this component one credit line has been opened, as well as a line for credit guarantees that are placed through six commercial banks that have entered into a Cooperation Agreement with the MBDP. Moreover, MBDP has earmarked its own funds in the amount of USD 2.500.000 for supporting projects related to energy efficiency and renewable energy sources.

Within component 3 of this project, it is possible to obtain favourable credits or credit guarantees for implementation of projects designed to improve the energy efficiency in the industry sector.

The future activities related to this project should continue in the direction of having as more implemented projects as possible in the area of energy efficiency and renewable energy sources, in line with the funds available.

Since mid 2007, the Energy Agency has been implementing the Sustainable Energy Project with a USD 5,5 million grant received from the Global Environmental Facility, and managed by the World Bank. The goal of this 4 year project is to develop the energy market in the country, to strengthen the institutional and staff capacities, to create conditions for the functioning of the company for energy-related services "MT ESCO", and to identify, develop and evaluate energy projects that it would put forward to the Macedonian Bank for Development Promotion and to the commercial banks for financing.

4. Utilisation of the wind energy potentials in the Republic of Macedonia

Based on the data from the Wind Atlas, the project "Exploring the potential of the wind energy in Macedonia" was agreed upon and implemented with the assistance of the Norwegian Government. As for the implementation of the project, the company NTE (*Nord-Trondelag Elektrisitetsverk*) was designated as the implementing agency from the Norwegian side, and the beneficiary from the Macedonian side was the Faculty of Electrical Engineering and Information Technologies – Skopje and "JSC ELEM". In June 2006, the Norwegian partner installed 4 measuring stations with the entire equipment (the necessary sensors and data acquisition systems, as well as the appropriate telecommunication equipment). The measuring stations are located at the following places: Bogoslovec – Sveti Nikole, Bogdanci, Kozhuf – Gevgelija and Shashavarlija - Stip. After the measurements have been done, data about the wind at these measuring points was obtained, which according to the project document will remain property of NTE for 18 months after the completion of the measurement analysis. According to the project agreement, the measuring equipment will remain property of the Faculty of Electrical Engineering and Information Technologies after the end of the project, and in July 2009 - the measurement data that "JSC ELEM" may use will be property of the Republic of Macedonia.

Preparatory activities for exploring the potential of the wind energy at 4 other locations are underway, which is to be carried out by the Energy Agency in collaboration with the Faculty of Electrical Engineering and Information Technologies – Skopje, "JSC ELEM" and the Danish consulting company "COWI A/S". Funds from Component 1 of the GEF-sponsored Sustainable Energy Project are envisaged for the implementation of this project, and they will be used for purchasing measuring equipment, installation, measurements and analysis of the obtained data. In addition, it is envisaged to provide additional measuring equipment for a fifth location in the framework of a future cooperation with the Ministry of Environment, Land and Sea of the Republic of Italy. Presently, there are activities aimed at arriving at an agreed text of the Memorandum of Understanding, which should be concluded between the Macedonian Ministry of Economy and the Ministry of Environment, Land and Sea of the Republic of Italy, for the measurement of the wind energy potential at the fifth measuring point. The signing ceremony will be performed upon the alignment of the respective memorandum text.

Through the Infrastructure Project Facilities – IPF of the European Commission, an *Feasibility study assessing the profitability of the construction of wind power plants in the Republic of Macedonia* is underway, the development of which was requested by "JSC ELEM". The study should be completed by the 2nd of March 2009.

Study on the possibility to incorporate wind power plants into the electrical energy system of the Republic of Macedonia is underway, and it should be completed by "JSC MEPSO" by the 2nd of March 2009.

In order to define a precise and simple procedure for construction of wind power plants in the Republic of Macedonia, one is currently carrying out activities for development of a *Study on the manner of construction of wind power plants*, which will include the best practices in the region and in Europe and a proposal for the most appropriate model for Macedonia. The study will provide a detailed analysis of 3 possible ways of constructing wind power plants, as follows: (i) only by state-owned companies, (ii) through the public-private partnership model; and (iii) only by private companies by means of a concession. The study will be developed under Component 1 of the GEF-sponsored Sustainable Energy Project, for which a consultant will be selected according to the World Bank procedures. Terms of Reference has been developed in collaboration with a World Bank consultant, where all the elements that need to be included in the study are defined:

- Summary of the best practices in Europe and in the neighbouring countries with regard to the legal procedure for constructing wind power plants. The summary should include the experiences of the EU countries with the highest level of development in the area of wind power plants (Denmark, Germany, Spain etc.), as well as the experiences of some countries from our region (Croatia, Bulgaria, Greece and Romania).
- Analysis of the current legislation in the Republic of Macedonia concerning the procedure for constructing wind power plants.
- Based on the experiences from the EU and the current legislation in the Republic of Macedonia, the consultant should also deliver the following:
 - Proposals for proceedings of the legal procedure for constructing wind power plants that would be the most appropriate for Macedonia;
 - Identify the changes that need to be introduced into the current legislation in Macedonia with specific proposals; and
 - Develop guidelines for constructing wind power plants in line with the proposed procedures.

The study on the manner of construction of wind power plants in the Republic of Macedonia should be completed by the 30th of April 2009.

3.15.5 ENERGY EFFICIENCY

CURRENT SITUATION

LEGAL FRAMEWORK

1. Rulebook on the energy efficiency of construction facilities

Pursuant to Article 130 of the Law on Energy, "Rulebook on the energy efficiency of construction facilities" was adopted in November and was published in the "Official Gazette of the Republic of Macedonia No. 143/2008".

This rulebook transposes one part of the *Directive 2002/91/EC of the European Parliament and of the Council on the energy performance of buildings*. The "Rulebook on the energy efficiency of construction facilities" prescribes more closely the measures aimed at improving the energy performance of buildings - taking into account outdoor climatic and local conditions, as well as indoor climate requirements and cost-effectiveness – by way of reducing the consumption of energy in buildings and reducing the CO₂ emissions. Energy consumption relates to primary energy, with all the losses during its transformation and usage in buildings. Building is considered as a unity with the necessary energy for heating, ventilation, cooling, preparation of sanitary hot water and lighting.

With the introduction of the energy efficiency certificates, construction companies will be stimulated (as a competitiveness measure) and obliged to present publicly the characteristics of their product in terms of its annual energy consumption and environmental pollution to the potential buyers/users of their product.

For the purpose of controlling the energy efficiency of the water heating boilers, the owners will be obliged to modify them in order to reduced environmental pollution, or replace them with new, modern plants at a higher technology level. The same applies to the air-conditioning systems. When obtaining the certificates, the investors will also obtain guidelines on how to increase the energy efficiency of the buildings. It is envisaged that the rulebook will enter into force as of the 1st of January 2010.

2. Treaty Establishing the Energy Community

Pursuant to Article 35 of the Treaty establishing the Energy Community, an Energy Efficiency Task Force was established in February 2008 under the Vienna Energy Community. This Task Force includes one representative of each contracting party, and its mission is to accomplish the following four Work Assignments (WA):

WA-1: Analysis of the energy efficiency related activities in each of the contracting parties (signatories to the Treaty Establishing the Energy Community);

WA-2: Development of an Action Plan for the implementation of the energy efficiency related activities in the contracting parties;

WA-3: Analysis of the impact of the EU directives on energy efficiency on the Energy Community, if they have been transposed;

WA-4: Development of a plan for a public awareness campaign.

3. Regional Energy Efficiency Strategy in the countries of the Western Balkans with the support of the World Bank

The development of the Regional Energy Efficiency Strategy in the countries of the Western Balkans started in June 2008 with the support of the World Bank. The first phase of the Strategy is to make an assessment of the energy efficiency situation in the key sectors of the economy of each country in the region. The outcomes of the situation assessment will be presented via 2 or 3 video conferences envisaged for November 2008, which will be followed by the second phase when possible interventions and responsibilities of the national entities concerning energy efficiency improvement will be identified. Eventually, a framework for supporting energy efficiency will be proposed by the World Bank and by other international financial institutions.

INSTITUTIONAL FRAMEWORK

The Government of the Republic of Macedonia, i.e. in *the Ministry of Economy* has the role of policy-maker in the energy sector. The *Sector for Energy* within the Ministry of Economy has 4 Units as follows: Unit for investment projects in the energy sector; Unit for electrical energy system; Unit for fossil fuels; and Unit for energy efficiency and renewable energy sources, with 11 permanent staff members and 2 with a Temporary Service Contract. The Unit for energy efficiency and renewable sources has 2 employees.

The Energy Regulatory Commission is responsible for monitoring the energy market and proposing appropriate measures for the functioning thereof, and it is independent in its operations and decision-making within the limits of the Law on Energy.

The Energy Agency of the Republic of Macedonia is responsible for developing short-term and long-term strategies and development plans, long-term and short-term programmes for energy efficiency (EE) and utilisation of renewable energy sources (RES), and for preparatory and coordination activities for the implementation of investment projects. The Agency has a director and 4 staff members.

The Energy Agency, which was established in 2006, employed new staff in 2007 and 2008 and currently has 6 staff members. By year, the situation is as follows: in 2006 the Agency had 1 employee who was the acting director, with a temporary contract; in 2007, four persons were employed and a director of the Agency was selected and employed; in 2008, only one person was employed. As of the 31st of December 2008, the Agency has 6 employees. In order for the Agency to be able to discharge its duties, which arise from the Law on Energy, the Law establishing the Energy Agency, the Operational Programme for 2008 and the GEF-sponsored Sustainable Energy Project, applications have been filed for hiring new staff and permission has been obtained from the Ministry of Finance to hire 3 people for a definite period of time, and this has actually been put in place.

For the purpose of strengthening the institutional and human capacity of the Agency, the first component of the Sustainable Energy Project provides for a series of measures for education and training of the staff in the area of energy efficiency. In 2008, the responsible persons in the project for procurement and finance underwent training in Turin, Italy. In addition, in cooperation with the Macedonian Centre for Energy Efficiency, a several months training of the Agency staff in performing energy performance controls of buildings is underway. An Advisory Body for Project Development has been established within the Sustainable Energy Project with the purpose of providing sustained support to energy projects. This advisory body works together with the Project Implementation Unit under the Energy Agency, and has a team leader, an economist and a junior associate who are fully financed by the GEF project. The advisory body also delivers specific training for the Agency staff, as well as for the partners of the Agency in the implementation of this project. Following the completion of the training, the staff of the Agency actively participates in

identification of energy projects in the area of renewable energy sources and energy efficiency, in evaluation and possible improvement thereof, and in putting forward project-proposals with the supporting documentation to the Macedonian Bank for Development Promotion and to the commercial banks.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

During the 2009, the following bylaws will be adopted:

1. *Rulebook on the manner and procedure for issuance and registration of Guarantees of Origin of electricity produced by highly efficient combined plants*

2. *Rulebook prescribing the manner of acquiring the status of preferential producer of electricity produced by highly efficient combined plants, as well as the contents, the form and the manner of keeping the Register of preferential producers of electricity produced by highly efficient combined plants*

3. *Technical specifications and standards for the thermal power plants, heating plants and other energy intensive industrial plants*

The technical specifications for the combined plants include the Methodology for determining the efficiency in combined processes, which is used for determining the qualification of the process of the combined plant. This process is used for heat and electricity production as a highly efficient combined production. Qualification as a highly efficient combined production is achieved if the primary energy savings from the combined production of thermal and electrical energy are for at least 10% lower than the established values for efficiency of separate production of thermal and electrical energy in normal operational conditions.

This methodology should take into account the characteristics of the different types of plants, as well as the age of the plant and the technology for combined production.

Updating the existing Energy Efficiency Strategy of the Republic of Macedonia

Updating the existing Energy Efficiency Strategy of the Republic of Macedonia is planned to be done in the course of 2009. In doing this, the emphasis should be put on the objectives for increased energy efficiency and on the means for achieving those objectives, in particular: reducing the energy consumption per unit of GDP in the Republic of Macedonia; increasing the energy efficiency in all the sectors of the state policy; promoting new technologies with a high degree of energy efficiency; promoting measures for increasing the energy efficiency; analysing the potential for installing highly efficient combined plants ; introducing mechanisms for supporting energy efficiency, including feed-in tariffs for production of electricity from highly efficient combined plants and other mechanisms for support; promoting the public awareness about the objectives of energy efficiency; reducing the harmful impact on the environment caused by energy production , transmission, distribution and utilisation.

The Rulebook on energy efficiency of construction facilities will come into force on the 1st of January 2010. To this end, the remaining issues in this field should be addressed in the period November 2008 – December 2009, and one of the main activities will be the adoption of a national methodology for assessment of the energy characteristics of buildings. Other activities include the preparation of lists of climatic characteristics of the towns and of an atlas of linear heat bridges, so that the Rulebook could be applied efficiently.

Treaty establishing the Energy Community

Work assignment 1 has been accomplished so far, whereas the draft texts of the documents arising from the realisation of the work assignments No. 3 and 4 should be completed by February 2009. All the activities under this Task Force are envisaged to finish by the end of 2009.

Campaign for raising the public awareness and education "Save electricity"

In the course of 2009, the Ministry of Economy plans to outsource a PR agency that would design and implement a campaign for raising the public awareness and education, entitled "Save electricity". The campaign will cover the following items: development of informative materials for the public (brochures) about best practices for saving energy (rational use of household appliances; selection of household appliances; energy efficient light bulbs; renewable energy sources used for heating premises - sanitary hot water, thermal insulation); awareness raising among the population about energy savings (development of educational materials on energy savings); lectures in primary and secondary schools about ways and possibilities for saving energy; public debates on how to improve the energy efficiency and use renewable energy sources; banners and billboards encouraging the population to save energy; development of a manual with specific examples about efficient use of energy and about energy savings that have lead to positive financial effects; development of a manual about the use of solar energy in households, public and state institutions and private companies (possible ways for installing solar systems in households, public and state institutions and private companies; examples of making energy savings by using solar energy; investment possibilities for installing solar systems;

financial benefits from the use of solar energy); promotion of the activities for increasing energy efficiency through printed (daily and weekly) and electronic media (radio and TV).

INSTITUTIONAL FRAMEWORK

During 2009, the *Ministry of Economy* plans to strengthen the capacity and to train the staff in monitoring the inclusion of the renewable energy sources into the country's energy consumption.

The *Energy Regulatory Commission* plans to strengthen the capacity and to train the staff in monitoring the energy market, dispute resolution, and monitoring the fulfilment of the obligations from the issued licenses. To this end, participation in international conferences organised by ERRA and in the work of the Task Forces under the Energy Community, and establishing bilateral cooperation with other regulatory bodies from the region and the EU has been envisaged.

The *Energy Agency* plans to strengthen the capacity and to train the staff in monitoring the energy efficiency in the Republic of Macedonia. The Agency envisions hiring 2 new staff members in 2009, and 2 more in 2010.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

During the 2010, the following acts will be adopted:

1. *Act prescribing the target percentage of electricity produced by preferential producers from highly efficient combined plants, as well as the method and schedule of achieving the target percentage of electricity produced from highly efficient combined plants in the total consumption of electricity.*
2. *Act determining the amount of the installed capacity of the plant required for acquiring the status of preferential producer of electricity from highly efficient combined plants.*

Programme for implementation of the Strategy on energy efficiency improvement

At the proposal of the Ministry of Economy, the Government of the Republic of Macedonia adopts a Programme for implementation of the Strategy on energy efficiency improvement. The programme specifies the measures for improving energy efficiency, indicating in particular: measures; financial sources; implementation conditions; performance indicators; technical regulations and national standards for energy efficiency; other necessary data and the holders of the activities and deadlines for the completion of the envisaged activities. The Programme is enacted for a period of 5 years.

The Ministry of Economy develops a Biannual Report on the implementation of the Programme and on the progress made in the improvement of energy efficiency. The Ministry submits the report to the Government and publishes it on its website.

The Ministry of Economy will keep track of the newly adopted EU directives in the respective area and transpose them into the national legislation.

INSTITUTIONAL FRAMEWORK

During 2010-2011, the *Ministry of Economy* plans to strengthen the capacity and to train the staff in monitoring the inclusion of the renewable energy sources into the country's energy consumption.

The *Energy Regulatory Commission* plans to strengthen the capacity and to train the staff in monitoring the energy market, dispute resolution, and monitoring the fulfilment of the obligations from the issued licenses.

The *Energy Agency* plans to strengthen the capacity and to train the staff in monitoring the inclusion of the renewable energy sources into the country's energy consumption. In order to be able to discharge its duties from the Law on Energy and the Law Establishing the Energy Agency, as well as the undertaken obligations to implement the international projects in the period of the next couple of years, a new job classification act is planned to be adopted and adequately filled in.

FOREIGN SUPPORT

1. Programme for improvement of the energy efficiency of buildings

In the framework of the cooperation between the Ministry of Economy and the Austrian Development Agency, the preparatory activities for implementation of a Programme for improvement of the energy efficiency of buildings are in their final phase. The Programme has the following components:

- *Component 1:* Strengthening the capacities of the Energy Agency of the Republic of Macedonia;
- *Component 2:* Harmonising the national legislation with the EU directive on the energy performance of buildings and developing the necessary tools for implementation of the legislation;
- *Component 3:* Implementing a pilot project for improving the energy efficiency of a public building; and
- *Component 4:* Involving the universities in order to ensure sustainability of the programme on the long run.

The entire programme is planned to be implemented in the next four years with a grant from the Austrian Government through the Austrian Development Agency (ADA), and the holder (implementing agency) of the programme will be the Energy Agency of the Republic of Macedonia with the Austrian Energy Agency. It is envisaged that UNDP would join one part of the programme, which is the development of a climatological map and of a cadastre of state-owned buildings and municipality-owned buildings that need to be reconstructed with the purpose of increasing their energy efficiency.

All the activities within this programme will enable a quality application of the respective rulebook, which should lead to obvious results in terms of making energy savings in this area on a medium-term basis.

The implementation of the programme will require the conclusion of a Financial Cooperation Agreement between the Ministry of Economy and the Austrian Development Agency (Austrian Embassy), and of an Operational Contract between the Ministry of Economy and the Energy Agency of the Republic of Macedonia with the Austrian Energy Agency, which will be responsible for the implementation of the programme during 2009.

2. GEF- Sustainable Energy Project

For the implementation of the project, the following agreements with the World Bank were signed on the 26th of February 2007:

- (1) Global Environment Facility Trust Fund Grant Agreement, concluded between the Ministry of Finance and the World Bank;
 - (2) "JSC MEPSO" Project Agreement, concluded between "JSC MEPSO" and the World Bank, and
 - (3) MBDP Project Agreement, concluded between the Macedonian Bank for Development Promotion (MBDP) and the World Bank.
- On the 31st of July 2007, grant money from the GEF (Global Environmental Facility) in the amount of USD 5.500.000 became effective for the implementation of the project.
 - The goal of the project is to promote investments for increased energy efficiency (EE) and increased use of the renewable energy sources (RES) through elimination of the institutional and financial barriers.
 - The following components are financed within the framework of project implementation:
 - Component 1: Technical assistance for drafting bylaws in the area of EE and RES and for developing projects on EE and RES, which is implemented through the Energy Agency of the Republic of Macedonia, for which a grant of USD 1.000.000 has been provided for.
 - Component 2: Developing and supporting a company for energy-related services – ESCO (MT ESCO), for the purpose of providing the so-called "third party financing" for energy efficiency projects, mainly in the public sector, for which a grant of USD 800.000 has been provided for.

In order to enable the use of these funds, the company "MT ESCO" was planned to be established through a joint venture of "JSC MEPSO" and the district heating company "Toplifikacija JSC– Skopje". The task of the "MT ESCO" company will be to help public institutions to reduce their energy consumption.

Within component 3 of this project, it is possible to obtain favourable credits or credit guarantees for implementation of projects designed to improve the energy efficiency in the industry sector.

Since mid 2007, the Energy Agency has been implementing the Sustainable Energy Project with a USD 5,5 million grant received from the Global Environmental Facility, and managed by the World Bank. The goal of this 4 year project is to develop the energy market in the country, to strengthen the institutional and staff capacities, to create conditions for the functioning of the company for energy-related services "MT ESCO", and to identify, develop and evaluate energy projects that it would put forward to the Macedonian Bank for Development Promotion and to the commercial banks for financing.

The Energy Agency, as a national coordinator, is expected to start with the implementation of the project "Investing in energy efficiency and mitigating the negative impact of climate changes" in 2009. This project will be financed by the United Nations (UNECE). Grant of USD 35.000 has been provided for the initial one-year phase.

3.15.6 NUCLEAR ENERGY

CURRENT SITUATION

LEGAL FRAMEWORK

Currently, the Macedonian Government has no plans or declarations for using nuclear energy except for the radioisotopes that are used in medicine and industry. There are no nuclear reactors in the Republic of Macedonia, neither for research nor for energy purposes, and because of this no nuclear fuel is used, which implies that Macedonia imports no nuclear fuel.

Pursuant to the existing legislation, no authorisations for procurement, possession and sale of nuclear material have been given in the Republic of Macedonia, nor have there been any authorisations given for physical handling of nuclear material.

There are no research activities in the area of nuclear energy in the Republic of Macedonia, nor are there any research reactors. There is no plan either to build research reactors, and no nuclear fuel is used for research purposes.

The Republic of Macedonia is not a member of the OECD Nuclear Energy Agency, nor is there any intention to become a member for the time being.

As far as the Macedonian legislation is concerned, there are no provisions about import, export and trade in nuclear equipment/materials, or in new and used nuclear fuel. The Republic of Macedonia does not have any existing capacities for storing nuclear waste, nor is the storage of this type of waste planned for the future.

The Republic of Macedonia has not signed any international agreements or conventions for cooperation in the field of nuclear energy.

3.15.7 NUCLEAR SAFETY AND RADIATION PROTECTION

CURRENT SITUATION

LEGAL FRAMEWORK

The Radiation Safety Directorate of the Republic of Macedonia (RSD), established pursuant to the Law on Ionising Radiation Protection and Radiation Safety (Official Gazette of the Republic of Macedonia No. 48/02 and 135/07), is the only competent institution for performing administrative and expert activities concerning ionising radiation protection. According to the law, the Radiation Safety Directorate performs the following activities: conducts the procedure of registration, licensing and control of the sources of ionising radiation; establishes the intervention levels and radiation protection and safety requirements; undertakes all necessary measures in case of accidents; etc.

In addition, the Radiation Safety Directorate maintains a National Register of sources of ionising radiation and of professionally exposed persons, as well as a Register of nuclear material; supervises the professional activities of the legal entities which work with sources of ionising radiation; sees to the training of the persons responsible for radiation protection and of the persons who work with sources of ionising radiation; initiates research work in the area of ionising radiation protection, radiation safety and nuclear safety; establishes an adequate way of informing the population with regard to ionising radiation protection.

With a view to protecting the population against exposure to ionising radiation, the Radiation Safety Directorate develops a "Plan for protection of the population in case of a radiation emergency in the Republic of Macedonia"; validates Certificates of presence of radionuclides in the products; plans for and implements international cooperation in the area of ionising radiation; carries out inspections as well as other activities in the area of ionising radiation protection.

In the Law amending the Law on Ionising Radiation Protection and Radiation Safety (Official Gazette of the Republic of Macedonia No. 135/07), the status of the Radiation Safety Directorate is further specified as an independent body of the state administration with a capacity of a legal entity, and the bylaws to be enacted by the Directorate are listed.

Taking into account that, pursuant to the law, the Directorate is defined as an independent body of the state administration with a capacity of a legal entity, the law provides for the financial independence of the Directorate. In reality, however, the Radiation Safety Directorate has not yet become an independent budgetary beneficiary with a separate item in the budget of the Republic of Macedonia.

In line with the Law on Ionising Radiation Protection and Radiation Safety (Official Gazette of the Republic of Macedonia No. 48/02 and 135/07), a new "*Rulebook on the amount of the fees for issuing the permits and licenses*" (Official Gazette of the Republic of Macedonia No. 140/08) was adopted in November 2008. The rulebook regulates the amount of the fees for issuing licenses to perform activities involving sources of ionising radiation and licenses for authorised technical services and for legal entities for decontamination.

National register of ionising radiation sources

The National Register of Ionising Radiation Sources has been updated constantly with the introduction of an electronic system for recording ionising radiation sources and users of such sources.

Regarding the implementation of the Project for construction of a storehouse for low and medium active radioactive waste, the Government of the Republic of Macedonia adopted a Decision on the location of the national storage facility for low and middle active radioactive waste in the first half of 2008. The location was suggested by the Radiation Safety Directorate and the Ministry of Environment and Physical Planning. The location was visited by an expert from the International Atomic Energy Agency in the period between the 13th and the 16th of May 2008, as well as by a delegation of the European Commission in September 2008. The two expert missions gave high marks for the selection of the location for the national storage facility vis-à-vis the basic international standards for safety and security.

The Radiation Safety Directorate developed draft versions of the rulebooks. Their drafts will be submitted to the experts of the International Atomic Energy Agency for their opinion.

INSTITUTIONAL FRAMEWORK

In the course of 2008, according to the projections in NPAA 2008, 2 new employments have been put in place: 1 junior associate for monitoring and emergencies and 1 junior officer. One additional employment– adviser for international cooperation - is in its final phase.

The cooperation with the International Atomic Energy Agency (IAEA) and EC will be significantly improved with employment of an Adviser for international cooperation and EU integration in the Unit for Administrative and Legal Affairs and International Cooperation. It is envisaged to take over some of the competences now vested in the Ministry of Education and Science (i.e. in the office for liaison with the IAEA under the Ministry of Education and Science) – competences pertaining to radiation safety and radiation protection, as well as communication in this particular area.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

Pursuant to the Law amending the Law on Ionising Radiation Protection and Radiation Safety (Official Gazette of Republic of Macedonia No.135/07), the Radiation Safety Directorate will enact the following bylaws in 2009:

1. Rulebook on the criteria for the premises, facilities, material and technical equipment and expert staff of the authorised technical services and of the legal entities for decontaminations, and the form and the contents of the application form submitted for licence issuing and the form and content of the license issued;
2. Rulebook on the form and the contents of the report form for ionising radiation sources, and the manner and procedure of reporting;
3. Rulebook on the form and the contents of the application form for issuing license for carrying out operations with ionising radiation sources, the form and content of the license form, as well as on the manner and procedure for issuing the license;
4. Rulebook on the contents of the Programme on Radiation Protection, of the Contingency, and of the Programme on Quality Assurance and Safety Control;
5. Rulebook on the limits of exposure to ionising radiation and on the conditions of exposure in special cases and in emergencies;
6. Rulebook on the criteria and measures for protection against ionising radiation for doing a job involving x-ray machines, accelerators and other appliances causing ionising radiation;
7. Rulebook on the sanitary conditions for working with sources of ionising radiation, as well as on the measures, contents and manner of performing health examinations of persons working with ionising radiation sources;
8. Rulebook on the manufacture, use, handling, storage, import and export of radiopharmaceuticals;
9. Rulebook on the criteria for exemption of an ionising radiation source/exposure and exemption to defined source from control.

The drafts of the above listed rulebooks will be sent for opinion to the experts of the International Atomic Energy Agency. In light of the fact that the 52nd General Conference of the IAEA was held in Vienna in September 2008, this activity is foreseen for the first half of 2009.

Priority for the Radiation Safety Directorate in 2009 is the issuing of licenses to all users of ionising radiation sources in the field of medicine.

In the process of approximation to the EU, priority of the Radiation Safety Directorate in 2009 is to undertake activities for accession of the Republic of Macedonia to the "Joint Convention on the Safety of Spent Fuel Management And on the Safety of Radioactive Waste Management".

Logistic support by the Radiation Safety Directorate for the National storage facility for radioactive waste to start its operations will be given as: provision of information to the general population through public debates/hearings; appearances in the media with an

explanation that this storage facility is one of the measures for protection of the population against exposure to ionising radiation and that this facility will store all used sources of ionising radiation in a safe and secure way; lobbying with government institutions that *pursuant to Article 103 of the Stabilisation and Association Agreement, the Republic of Macedonia are under an obligation to cooperate in the field of radioactive waste management, and pursuant to the Partnership for Accession of the Republic of Macedonia (2008/212/EC), the country is under the obligation to build an adequate storage facility for radioactive material; consequently, this storage facility has to be built.* Also education and training for the staff that will be working for the needs of the storage facility will be delivered by the Directorate and the IAEA, and the Directorate will undertake a series of activities that will contribute to the fulfilment of the basic security standards and requirements.

For the purpose of strengthening the inter-institutional cooperation with relevant institutions from other countries, the Radiation Safety Directorate will undertake activities for signing Memoranda of Understanding.

In addition, in order to strengthen the inter-institutional cooperation with relevant institutions in the Republic of Macedonia, activities for signing Memoranda of Understanding with institutions responsible for interventions in cases of emergencies (Protection and Rescue Directorate, etc.) are planned to happen in the course of 2009.

The following activities are planned to be carried out in a continuous manner in order to strengthen the control over the ionising radiation sources:

- Continuous control over ionising radiation sources.
- Continuous control over vehicles intended for transportation of radioactive sources.
- Continuous control over the functioning of the static panel detectors placed on the customs facilities at the border crossings.
- Continuous control over the use of the mobile dosimetric appliances by customs officers and Border Police at the border crossings.

INSTITUTIONAL FRAMEWORK

2 New employments in the Radiation Safety Directorate of the Republic of Macedonia have been planned for 2009.

With a view to strengthen the capacities of the Directorate in 2009, activities have been envisaged whereby the Directorate will undertake the role of a coordinator and direct cooperation with the International Atomic Energy Agency (IAEA) will be established.

Again, for the purpose of strengthening the capacities of the Directorate, it is also necessary to undertake activities aimed at financial independence of the Radiation Safety Directorate, by way of making the Directorate an independent budgetary user with a separate status in the Budget of the Republic of Macedonia, separate from the Ministry of Health. The activities that the Radiation Safety Directorate is planning to undertake include communication with the Ministry of Finance (Sector for Budget) and with the Minister of Finance, communication inside the Commission for Integrated Border Management, communication with the Secretariat for European Affairs, and preparation of an Information sheet with a specific proposal for the Government to adopt a Decision on making the Directorate an independent budgetary beneficiary with a separate status in the Budget of the Republic of Macedonia.

In order to strengthen the inter-institutional cooperation and the control over ionising radiation sources, for 2009 the Directorate envisions training in radiation protection for members of the Ministry of Interior (for members of the Border Police and for officers working on security issued in the interior of the Republic of Macedonia).

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

Pursuant to the Law amending the Law on Ionising Radiation Protection and Radiation Safety (Official Gazette of the Republic of Macedonia No.135/07), the Radiation Safety Directorate will enact the following bylaws in 2010:

By mid 2010, the Radiation Safety Directorate will enact the following bylaws:

1. Rulebook on the types of training and the contents of the training curriculum for persons responsible for radiation protection and persons who work with ionising radiation sources;
2. Rulebook on the maximum allowed limits for radioactive substances discharge in the environment, and on the manner of conducting monitoring, keeping records and reporting;
3. Rulebook on the maximum allowed concentrations of radionuclides in food, water, air, soil, products and raw materials of animal and vegetable origin, and objects for general use;
4. Rulebook on the maximum allowed concentrations of radionuclides in metals, construction materials, fertilizers, ash from thermal power plants and waste material from mines and smelters;
5. Rulebook on the criteria for applying ionising radiation sources in medicine, veterinary medicine, pharmacy and dentistry;
6. Rulebook on the manner and the timelines for examining ionising radiation sources, measuring exposure of patients during diagnostic and therapeutic procedures, keeping records and reporting;
7. Rulebook on the manner of measuring the exposure of professionally exposed persons, keeping records and reporting;
8. Rulebook on the manner of measuring the exposure of the population, keeping records and reporting;

9. Rulebook on the manner of transporting radioactive and nuclear material;
10. Rulebook on ionising radiation sources categorization, and on radioactive and nuclear material categorization;
11. Rulebook on radiation and nuclear threats categorization.

The Radiation Safety Directorate will carry out the activities arising from the signing of Memoranda for Cooperation with institutions in the Republic of Macedonia and with relevant international institutions.

For the purpose of better protection of the population of the Republic of Macedonia, the Radiation Safety Directorate will develop a *"Plan for protection of the population against ionising radiation in the Republic of Macedonia"*.

Based on the summarised conclusions about the implementation of the Law on Ionising Radiation Protection and Radiation Safety over the period 2007-2011, one should proceed with an analysis and assessment of the need for amending the law or for passing a new law.

For the purpose of strengthening the inter-institutional cooperation with relevant institutions in the Republic of Macedonia, activities for signing Memoranda for Cooperation with institutions responsible for interventions in emergencies (Ministry of Interior, Ministry of Health etc.) have been envisioned for the period 2010-2011.

Strengthening the control over ionising radiation sources is a continuous activity, which is envisioned to continue in 2011.

INSTITUTIONAL FRAMEWORK

It is envisioned that the administrative capacity of the Radiation Safety Directorate of the Republic of Macedonia will be strengthened by hiring new staff in 2010 and 2011.

For the purpose of strengthening the inter-institutional cooperation and the control over ionising radiation sources, the Directorate plans to deliver training in radiation protection in 2010 for the persons responsible for radiation protection in legal entities that use ionising radiation sources, and training for customs officers in 2011 in radiation protection and prevention of illegal trafficking.

FOREIGN SUPPORT

The project for construction of a storage facility for low and medium active radioactive waste is an ongoing project. The location for the storage facility has been selected, and the preparatory activities are underway.

The Government of the Republic of Macedonia adopted a Decision on the location of the national storage facility for low and medium active radioactive waste in the first half of 2008. The location was suggested by the Radiation Safety Directorate and the Ministry of Environment and Physical Planning. The location was visited by an expert from the International Atomic Energy Agency in the period between the 13th and the 16th of May 2008, as well as by a delegation of the European Commission during the period 9-11 September 2008. The two expert missions gave high marks for the selection of the location for the national storage facility vis-à-vis the basic international standards for safety and security.

During the period 24-28 November 2008, an expert from the European Commission visited the Radiation Safety Directorate in order to review the draft rulebooks drafted by the Directorate under the TAIEX programme. After obtaining a positive opinion from the expert, the draft rulebooks will be distributed to all relevant domestic institutions for review and adjustments.

The TAIEX mission aimed to assess the compliance of the draft rulebooks developed by the Radiation Safety Directorate on the basis of the Law on Ionising Radiation Protection and Radiation Safety (Official Gazette of the Republic of Macedonia No. 48/02 and No. 135/07) with the EU legislation.

Radioactive lightning conductors in the Republic of Macedonia are located on industrial facilities and public buildings (schools, kindergartens, health care organisations, public institutions). In many industrial facilities in the Republic of Macedonia that have radioactive lightning conductors, the ownership changed in the past period, and a certain number of them were closed. With the change in ownership, many of the new operators were not aware that with the takeover of a certain facility (plant, factory, etc.) they also bought a radioactive lightning conductor. According to the legislation, the new operators have the obligation to undertake safety and security measures related to the radioactive lightning conductors. Failure to undertake such measures may lead to an unauthorised dismantling. This brings about an increased danger of exposing the population to the harmful effect of ionising radiation and contamination of the environment. In many instances, radioactive lightning conductors end up at sites that buy out scrap metal as waste, with a likelihood of it being loaded with the rest of the metal waste as a secondary raw material for export.

In order to reduce the risk of potential exposure of the population and possible contamination of the environment with radioactive radiation from radioactive lightning conductors, there is an emerging need to dismantle condition and safely store them in a storage facility for radioactive sources, in line with the international standards and recommendations.

In line with the identified needs for adequate disposal of radioactive lightning conductors, and for the purpose of protecting the population against radioactive radiation, the Radiation Safety Directorate – as a competent authority of the Government of the Republic of Macedonia in the area of radiation safety – developed a Preliminary Project Idea entitled: “Dismantling, conditioning and disposing of radioactive lightning conductors”. This idea has been submitted to the relevant EC institutions, under IPA 2009 multi-beneficiary programme.

The EC has developed 6 project fiches within centralised IPA programmes, part 2 of the Horizontal Programme on Nuclear Safety and Radiation Protection. The projects include: assessment of regulatory infrastructure in the field of radiation protection; assessment of the needs for strengthening the safety of closed radioactive sources; support for the countries in the region to strengthen their capacities for developing regulations on naturally radioactive materials and technologically enriched materials; management of medical radioactive waste; assessment of the needs and of the proposed activities for strengthening the capacities for preventing illegal trade in radioactive sources; assessment of the needs and of the proposed actions for conducting monitoring of radioactivity in the environment. The implementation of the projects has already started.

3.16 TAXATION

3.16.1 INDIRECT TAXATION

VALUE ADDED TAX

CURRENT SITUATION

LEGAL FRAMEWORK

Taxation of the consumption of goods and services in the Republic of Macedonia is regulated by the Law on Value Added Tax (Official Gazette of the Republic of Macedonia No. 44/99, 59/99, 86/99, 11/2000, 8/2001, 21/2003, 19/2004, 33/2006, 101/2006, 114/2007 and 103/2008).

This Law, as a basic legal act, regulates the calculation and payment of value added tax when selling goods and services, made by compensation paid by the taxpayer in the country within the frames of his/her business activity, as well as when importing goods.

The Law on Value Added Tax in the Republic of Macedonia has applied since 1 April 2000, and it transposes to a large extent the requirements of the EU VAT legislation, as follows:

1. Sixth (systemic) Council Directive 31977L0388 on the harmonisation of the laws of the Member States relating to turnover taxes – Common system of value added tax: uniform basis of assessment, and
2. Thirteenth Council Directive 31986L0560 on the harmonisation of the laws of the Member States relating to turnover taxes – Arrangements for the refund of value added tax to taxable persons not established in Community territory.

In accordance with the EU legal acts, the Law on VAT regulates the taxable subject, taxpayer, place of selling, tax base, tax exemption, time of occurrence of tax liability, deduction of previous tax, taxation, registration, tax refund, administrative obligations, and stipulation of special taxation schemes applicable to tour-operators.

Regarding the level and number of applied tax rates, the Law on VAT corresponds to that provided for in the EU Directives, because two tax rates apply in the Republic of Macedonia: general tax rate of 18% and preferential tax rate of 5%.

Harmonisation has also been achieved in the area of tax treatment of investment goods (equipment intended for production of goods and services which are subject to taxation, and real estate necessary for performing the activity) with an accepted solution, with which the application of the mechanism for deduction of previous tax results with avoidance of tax burden in the area of taxation in the overall entrepreneurial domain. In accordance with the existing legislation, tax burden is imposed on the overall private and public consumption, as well as on the consumption of business entities whose total incomes have not exceeded the registration threshold and unless they are voluntarily registered for VAT, thus preventing them to use the right to deduction of previous tax.

Due to extension of the harmonisation process of the Macedonian tax law with the EU *acquis*, more precisely, harmonisation of the Law on Value Added Tax of the Republic of Macedonia with Directive 32006L0112 as a replacement of the Sixth (systemic) Council Directive 31977L0388, as well as other EU acts, the Project – Harmonisation of Macedonian tax law with EU law is ongoing, which includes technical and expert assistance by GTZ (German Society for Technical Cooperation).

Within the framework of this project, through expert debates, derogations from the EU directives are to be determined as well as update of the Law on Value Added Tax of the Republic of Macedonia.

During the third quarter of 2008, the Law Amending the Law on Value Added Tax was adopted, which entered into force on 27 August 2008, on reducing the VAT rate from 18% to 5% for the following services: maintaining public cleanliness and waste disposal, which is in accordance with Annex 3 of Council Directive 2006/112/EC of 28 November 2006 on the common value added tax system.

During the third quarter of 2007, the Law Amending the Law on Value Added Tax was adopted, reducing the VAT rate from 18 % to 5% for the following goods and services: (1) drugs and medical appliances, (2) computers and computer software, (3) thermal solar systems and components, and (4) transportation of persons and their luggage. In addition to encouraging and opening the development perspectives and agriculture promotion, in the fourth quarter of 2006 the tax rate was reduced from 18% to 5% for a certain group of goods such as basic inputs to the agricultural production. However, in view of these amendments to the Law, it should be taken into account that provisions which are not in accordance with the *acquis* are of interim character, i.e. a preferential rate of 5% for agricultural machines will apply until 30 June 2010 and the preferential rate for computers and computer software, as well as the preferential rate for thermal solar systems and their components will apply until 31 December 2012.

INSTITUTIONAL FRAMEWORK

Pursuant to the Law on Value Added Tax, the institutions authorised for its implementation are the Ministry of Finance, the Public Revenue Office and the Customs Administration.

SHORT-TERM PRIORITIES FOR VALUE ADDED TAX

During 2009, the analysis of the parts of value added tax system which are not harmonised with the EU Directives will continue.

MEDIUM-TERM PRIORITIES FOR VALUE ADDED TAX

In the period 2010-2011, a continuous and intensive process of studying the EU legislation will follow, which would result in amendments to the existing Law on Value Added Tax, focused on its harmonisation with the *acquis*.

The harmonisation process will be aimed at, in particular:

- Application of VAT when supplying goods and services within the Community between the taxpayers.
- Establishing "special taxation procedures", by introducing special taxation schemes for:
 - investment gold;
 - used goods, works of art, collections and antiques;
 - electronically provided services;
 - farmers.
- Harmonisation in terms of application of the provisions in the Law on VAT in the free zones and in the part related to invoicing.
- Prescribing and preparing all forms, including VAT tax return.

The following EU acts will be taken into consideration in the process of harmonisation of the legislation in the VAT field:

1. Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax and all its amendments;
2. 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;
3. Eighth Council Directive 31979L1072 (Eight 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);
4. 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);
5. 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;
6. Council Regulation No. 1777/2005 laying down implementing measures for Directive 77/388/EEC on the common system of value added tax.
7. Directive 2006/79/EC of 5 October 2006 on the exemption from taxes of imports of small consignments of goods of a non-commercial character from third countries.

All amendments to the Law on VAT will be applicable with the accession of the Republic of Macedonia into the EU.

FOREIGN ASSISTANCE FOR VALUE ADDED TAX

For the purpose of extension of the process of harmonisation of the Macedonian tax law with the EU *acquis*, more precisely, harmonisation of the Law on Value Added Tax of the Republic of Macedonia with Directive 32006L0112, as well as other EU acts, the Project – Harmonisation of the Macedonian tax law with the EU law is in process, which includes technical and expert assistance by GTZ (German Society for Technical Cooperation) on the basis of the signed protocol for financial and technical cooperation between the Government of the Republic of Macedonia and the Government of SR Germany (May 2007).

The Project was launched in December 2007 and will extend to end-2009. In the course of 2008, several workshops were held, on which several subject areas were discussed related to the existing Law on VAT in the Republic of Macedonia and its harmonisation with Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax and all amendments thereof.

EXCISES

CURRENT SITUATION

LEGAL FRAMEWORK

The Law on Excises (Official Gazette of the Republic of Macedonia No. 32/2001, 50/2001, 52/2001, 45/2002, 98/2002, 24/2003, 96/2004, 38/2005 and 88/2008) is the basic legal act that regulates consumption excises collected directly or indirectly in the territory of the Republic of Macedonia, for the following: mineral oils, alcohol and alcoholic beverages, tobacco commodities and

passenger cars, and it contains provisions on taxation, excise preferences, excise exemptions, administrative obligations, registries, legal protection and penalty provisions.

The Law on Excises is to a large extent harmonised with the EU Systemic Directive, as well as with all its accompanying structural directives separately for each category of goods, subject to excise taxation. The current rates applicable to several excise products are still lower than the minimum rates envisaged in the *acquis*.

INSTITUTIONAL FRAMEWORK

Pursuant to the Law on Excises, the institutions authorised for its implementation are the Ministry of Finance, the Public Revenue Office and the Customs Administration.

SHORT-TERM PRIORITIES FOR EXCISES

During 2009, the analysis of parts of the excise system in the Republic of Macedonia that are not harmonised with the EU Directives will continue.

MEDIUM-TERM PRIORITIES FOR EXCISES

An intensive harmonisation process of the Law on Excises with the EU legislation will be carried out in the period 2010-2011. Harmonisation will be made with the provisions of the Council Directive on the general arrangements for products subject to excise duty and on the holding, movement and monitoring of such products (31992L0012 and all its amendments), in particular the provisions on tax warehouses, in order to implement the intra-Community suspension regime.

At the same time, harmonisation of the provisions of the Directive restructuring the Community framework for the taxation of energy products and electricity (32003L0096) will be made, as well as harmonisation of the excise rates on the tobacco products (31992L0079, 31992L0080 and 31995L0059) and alcoholic beverages (31992L0083 and 31992L0084) with the minimum level of excises prescribed with the directives.

All amendments to the Law on Excises will be implemented with the accession of the Republic of Macedonia into the EU.

FOREIGN ASSISTANCE FOR EXCISES

In the area of excises, the technical assistance by the German Society for Technical Cooperation (GTZ), as part of the project: "Harmonisation of the Macedonian tax law with the EU law" will continue until end-2009.

3.16.2 DIRECT TAXATION

PROFIT TAX

CURRENT SITUATION

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, 120/05, 139/2006 and 160/2007) regulates the manner of taxation of the profit made by legal entities, residents and non-residents of the Republic of Macedonia.

- The Profit Tax Law defines the following: taxpayer, tax base, expenses recognised as expenditure in the tax balance which influence the amount of profit made, tax treatment of the capital revenues and of capital gains and losses, withholding of income tax paid to foreign legal entities, tax exemptions and relieves, avoidance of double taxation, calculation and collection of profit tax, tax period and penalty provisions.
- In order to improve the investment climate in the Republic of Macedonia, i.e. to encourage and stimulate foreign and domestic investors in the country, flat rate tax was introduced in 2007. A flat rate tax rate of 10% has applied as of 1 January 2008.
- In accordance with the amendments to the Law on Profit (Official Gazette of the Republic of Macedonia No. 160/2007 and 159/2008), trade companies that make annual total profit in the amount to MKD 3,000,000 apply a simpler tax regime. The tax rate of 1% on the total profit applies to these trade companies.

Institutional framework

Pursuant to the Profit Tax Law, the institutions authorised for its implementation are the Ministry of Finance, the Public Revenue Office and the Customs Administration.

SHORT-TERM PRIORITIES FOR PROFIT TAX

During 2009, the analysis of the EU legislation related to the profit tax system will continue.

MEDIUM-TERM PRIORITIES FOR PROFIT TAX

The process of harmonisation of the Profit Tax Law with the EU directives will continue in the period 2010-2011. Subject to harmonisation will be the provisions of the directives pertaining to the following: the common system of taxation applicable to

mergers, division, transfers of assets and exchanges of shares concerning companies of various Member States (31990L0434), the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States (31990L0435), collection of charges on contributions of capital to capital companies (31969L0335) and the common system of taxation applicable to interest and royalty payments made between associated companies of different Member States (32003L0049).

PERSONAL INCOME TAX

CURRENT SITUATION

Legal framework

The Personal Income Tax Law (Official Gazette of the Republic of Macedonia No. 80/93, 3/94, 70/94, 71/96, 28/97, 8/01, 50/01, 52/01, 2/02, 44/02, 96/04, 120/05, 52/2006, 139/2006 and 160/2007), fully regulates the taxation of annual income of natural persons, realised as a sum of net revenues from all sources, as follows: personal incomes, income from agricultural activity, income from independent activity, income from property and property rights, income from copyrights and industrial property rights, capital revenues, capital gains, gains from games of chance and other premium games and other revenues. Besides the taxable incomes, the Law also regulates the incomes exempt from tax, the taxpayer, tax base, tax rates, manner of calculation and collection of the personal income tax, the complaint procedure, re-opening of the procedure and penalty provisions.

In view of creating conditions for economic prosperity of the country, more radical reduction of unemployment and attracting foreign investments, a flat tax system was introduced in 2007, thus the personal income tax rate of 10% is applicable from 1 January 2008.

The system of integrated collection of social contributions and the salary personal income tax has been introduced as of 1 January 2009.

Institutional framework

Pursuant to the Personal Income Tax Law, the institutions authorised for its implementation are the Ministry of Finance and the Public Revenue Office.

SHORT-TERM PRIORITIES FOR PERSONAL INCOME TAX

In the course of 2009, the analysis of EU legislation pertaining to the personal income tax system will continue.

MEDIUM-TERM PRIORITIES FOR PERSONAL INCOME TAX

The process of harmonisation of the Personal Income Tax Law with the EU directives and recommendations will continue in the period 2010-2011. The legal regulations will incorporate the directives and recommendations in this area - Directive on the common system of taxation applicable to mergers, divisions, partial divisions, transfer of assets and exchanges of shares concerning companies from different Member States (31990L0434), in the part pertaining to the taxation of shareholders, i.e. dealing with the area of income of natural persons, as well as the Recommendation (94/79 EC) on the taxation of certain items of income received by non-residents in a Member State (different) other than the one whose residents they are, and the Recommendation (94/390 EC) concerning the taxation of small and medium-sized enterprises, the provisions of which refer to natural persons - performers of independent activity, who are taxpayers of personal income tax.

The realisation of these measures will be carried out through special projects and engagement of foreign consultants from the Member States, in order to create conditions for incorporation and implementation of the new solutions aligned with Directive (32003L0048) on taxation of savings income in the form of interest payments.

The harmonisation with the Directive concerning the income in the form of interest payments is of special importance to this Law. The main purpose of this Directive is to verify that the savings income in the form of interest payment (from denar deposits with banks, debentures and other financial claims), paid in the Member State to a natural person who is resident of another Member State, is successfully taxed in accordance with the legislation of the latter Member State, i.e. the state of which the natural person is a resident. Having in mind the abovementioned purpose, a certain mechanism for automatic exchange of information on the interest rates of the natural persons among the Member States regarding their residents has been determined for a number of Member States. To that end, and in accordance with the Directive on mutual assistance among the competent authorities of the Member States responsible for direct taxation, certain kinds of excise duties and taxation of insurance premiums, the Republic of Macedonia, following the harmonisation of the national legislation with the EU directives, should apply the conditions for automatic exchange of information regarding interest payments and other incomes of natural persons, subject to taxation in accordance with the personal income tax.

FOREIGN ASSISTANCE FOR DIRECT TAXES

In direction of determining the derogations from the Profit Tax Law and the Personal Income Tax Law with respect to the EU Directives, technical assistance within IPA 2007 – Component 1 is envisaged in the second half of 2009.

3.16.3 ADMINISTRATIVE COOPERATION AND MUTUAL ASSISTANCE

CURRENT SITUATION

Harmonisation of the legislation regarding mutual assistance for direct taxation (31977L0799, amending Directive No. 1070/EEC of 6 December 1979) is carried out through the Agreements on Avoidance of Double Taxation concluded between the Republic of Macedonia and the EU Member States.

The Republic of Macedonia has concluded 33 Agreements on Avoidance of Double Taxation with: Albania, Austria, Belarus, Bulgaria, Denmark, Egypt, Iran, Ireland, Italy, Qatar, China, Latvia, Lithuania, Moldova, the United Kingdom of Great Britain and Northern Ireland, Poland, Romania, Russia, Slovenia, the Federal Republic of Germany, the Federal Republic of Yugoslavia, Taiwan, Turkey, Ukraine, Hungary, Finland, France, the Netherlands, Croatia, the Czech Republic, Switzerland, Sweden and Spain, and 2 more agreements still apply which are taken over from the SFRY with the former Czechoslovakia (regarding Slovakia) and Belgium. From the total number of 35 agreements, 21 are with EU Member States.

Council Regulation 32003R1798, as one of the most important documents in the field of exchange of information and mutual cooperation between the Member States, will directly apply from the date of accession of the Republic of Macedonia in the EU, taking into account that it is a legal regulation that directly binds the Member States, and there is no need for its prior incorporation into the Macedonian legislation.

LEGAL FRAMEWORK

The agreements on avoiding double taxation and protection of fiscal evasion that the Republic of Macedonia has concluded with other countries including the EU Members States, constitute a legal framework and a basis for improvement of the economic cooperation between the agreed countries in the goods and services exchange domain as well as in the domain of joint ventures.

The OECD model applies as a base for leading negotiations when concluding these agreements. In accordance with these agreements, information is exchanged with the countries Macedonia has concluded such agreement.

INSTITUTIONAL FRAMEWORK

The Public Revenue Office is a state administrative body within the Ministry of Finance, with a capacity of legal entity. It performs the activities within its scope through the Head Directorate, the regional directorates (six regional directorates and one Directorate of Large Taxpayers) and tax units (24), with a total of 1,250 employees (as of 30 September 2008).

As a candidate country for EU membership, the Republic of Macedonia performs exchange of information through the Public Revenue Office with the relevant authorities of the contracting countries, which contributes to the development of the system for mutual exchange of information pursuant to the Regulation 32003R1798.

SHORT-TERM PRIORITIES

The process of signing and ratification of the Agreements on Avoidance of Double Taxation with the Federal Republic of Germany, Belgium, Luxemburg, Bosnia and Herzegovina and Kuwait is accelerated, as well as the process of realisation of the final stage of harmonisation of the Agreements with Slovakia and Morocco. Agreements on Avoidance of Double Taxation are concluded with the other EU Member States, such as Portugal, Greece, Cyprus and Malta.

MEDIUM-TERM PRIORITIES

A medium term priority is the continuation of negotiations aimed at conclusion of Agreements on Avoidance of Double taxation with all EU Member States, as well as with other non-European countries.

A medium-term priority of the Public Revenue Office is the establishment of electronic and spontaneous exchange of data with the EU Member States and other countries.

3.16.4 OPERATIONAL CAPACITY AND COMPUTERISATION

CURRENT SITUATION

LEGAL FRAMEWORK

The legal framework that regulates the administrative capacity of the Public Revenue Office in terms of its scope of operations, the organisational setup, the manner of performing the operations and management, as well as the authorisations and responsibilities regarding collection, recording, processing and protection of data pertaining to the operations of the Public Revenue Office constitutes the Law on the Public Revenue Office.

The Law on Tax Procedures creates single bases for the general tax law and tax administrative procedure. It regulates, in a uniform manner, the following: general tax law, tax calculation procedure, tax control procedure, public revenue collection procedure, rights and obligations of taxpayers, and tax penalty procedure and fines procedure. Many bylaws and operational guidelines have been adopted for the enforcement of this Law.

This legal framework provides the possibility to strengthen the administrative capacity for enforcement of the legislation and fight against tax evasion by taking short-term and medium-term measures.

INSTITUTIONAL FRAMEWORK

The Public Revenue Office is a state administrative body within the Ministry of Finance, with a capacity of legal entity. It performs the activities within its scope through the Head Directorate, regional directorates (five regional directorates and one Directorate of Large Taxpayers) and tax units (8), 72 tax counters with a total of 1.254 employees (as of 31 December 2008).

The Public Revenue Office in terms of improvement of the taxpayers' services, better control efficiency and increasing the incomes based on all public duties, is actively engaged in the operationalisation to the strategic goals defined in the Strategic Plan for 2009-2011.

The Strategic plan of the Public Revenue office is harmonised and derives from the following:

1. Strategic priorities of the Government of the Republic of Macedonia,
2. Implementation of the recommendations by the Sub-committee on Trade, Industry, Customs and Taxation,
3. Implementation of the Accession Partnership of the Republic of Macedonia,
4. Investment Promotion Programme of the Republic of Macedonia 2007-2010.

The implementation of the strategic goals reinforces the administrative capacities of the Public Revenue Office and extends the functions and the competences of this body, thus ensuring increased level of the tax incomes into the Budget of the Republic of Macedonia, improvement of services to taxpayers, development of human resources and strengthening of the international co-operation with the authorities and institutions with the EU Member States and non-Member States.

Broadening of the functions and competences of the Public Revenue Office (PRO) is realised through introduction of an integrated system for charge of social contributions and taxes from 1 January 2009. This manner of work will increase the efficiency in effectiveness in the collection of incomes and at the same time it will facilitate and simplify the procedures and obligations of the taxpayers before the state administrative bodies.

The Public Revenue Office policy design leads to centralisation of the competences, and at the same time introduces high decentralisation of the services to the taxpayers. This determination facilitates the communication of the tax officer - taxpayer, through opening new organisational entities which are easily accessible and fully correspond to the needs for providing quality and fast services to the taxpayers.

The opening of the Contact Centre provides centralised implementation of data available in the Public Revenue Office database and direct application of all means of communication (e-mail contact, mail, telephone etc.).

In 2008 the second phase of the Project e-services for small and medium taxpayers was operationalised, while starting from this year, the Public Revenue Office will commence preparations so that these services are available to natural persons.

The external control of the tax administration in the Republic of Macedonia has improved its efficiency and competence by implementation of the newly defined risk criteria, as well as the operationalisation of the control methodologies by types of tax. Continuous training of the tax inspectors on application of these new IT tools facilitates the implementation of the legal procedures for enforcement of the external control and enables monitoring of the output measures with each of the inspectors. Positive experiences in view of external control were represented in various international forums, conferences and workshops where they were assessed as highly professional and modernised ways of control and they will be taken as models to be implemented by tax administrations in some EU Member States.

Introduction of the Centralised Data Processing System led to unification of tax return processing. The ultimate goal of this Project is issuing of all types of tax documents in one place.

In the part of annual tax returns, by means of data pairing from third parties, the collection of personal income tax has increased and it had an educational impact on voluntarily payments of obligations.

The measures taken by the PRO on outstanding debt payment management, in the short term resulted in increased payment based on all types of tax.

In order to improve payment of outstanding debts, a National Centre for Debt Encashment on national level will be set up to improve the collection of income of goods that have been seized in the process of enforcement.

2008 was also marked by the development of a system for analytical information on the conditions about the PRO functioning - analyses, management reports, periodical reports and redefining of standards for output measurements, records and statistics disposed by the Public Revenue Office through the new way of activities planning, have indirect strong contribution to all functions of this institution.

The main objective of the PRO has never been neglected, that leads to modernisation of the tax administration, which is to be a service to taxpayers.

SHORT-TERM PRIORITIES

The Public Revenue Office within its competence and authorisations will focus on strengthening of the administrative capacities and upgrading the IT system in order to increase income collection. This effort will be realised with fulfilment of the following short-term priorities:

1. Copying the positive experiences of the Pilot Project - Medium and small taxpayers office throughout the entire territory of the Republic of Macedonia.
2. Setting up a "Board of Taxpayers" in the Directory of Large Taxpayers.
3. Creation of a new IT system for the business processes in the PRO.
4. The PRO will, for the development of the system for internal audit, carry out a series of trainings of the internal auditors.
5. Broadening the interconnection with third parties for efficient and effective data exchange.
6. Development and full operationalisation of the Public Communication and Information Office.
7. Providing all technical pre-conditions for administration of the social contributions in the PRO.
8. In order to implement the positive legal regulations related to conducting a misdemeanour procedure, the PRO is preparing an Operational Instruction on Conducting a Misdemeanour Procedure, an act for enforcement procedure and Instruction on the Implementation of the Law on Tax Procedures.
9. Reinforcing the capacity of external control and development of new methods in the fight against corruption and the grey economy.
10. Setting up a National Centre for Debt Encashment.
11. Implementation of the Programme for Development of a Contact Centre.
12. Implementation of a Strategy for Regional Tax Academy.
13. Implementation of the Strategy for Human Resources and motivation acts for the employees.

MEDIUM-TERM PRIORITIES

The Public Revenue Office, within its competences and authorisations, will focus on strengthening the administrative capacities as well as on upgrading the IT system in order to improve the income collection. This effort will be realised with fulfilment of the following medium-term priorities:

1. Within functioning of the system for Central Processing of Tax Returns, in order to perform a take-over processing of all the RD, TD and DLTP, appropriate hardware and software will be provided that will enable scanning and electronic archiving of paper documents. For this equipment, training will be provided to the employees.
2. For implementation of integrated information system that will be reinforced with powerful security criteria, licenses will be provided and data migration into the new system.
3. Performing an IT revision is planned and designing of internal instructions with estimated risks, aimed at further improvement of the system for internal revision.
4. In this period, the Project E-services for Taxpayers will be fully implemented, in terms of enabling all individuals to electronically submit their tax returns.
5. For development of communication capacities the Intranet will be set up, a Graphic Standards Book and a Crisis Communication Plan will be arranged.
6. For successful administration of social contributions, the system for integrated contributions payment and the personal income tax (PIT) will be integrated in the IT system of the PRO that will enable development of instruments for administration and management with information from the system.
7. In this period establishment of partner relationship with the tax payers of different business profiles and branches will continue through the Industrial Partnership Project, which ultimate goal is to promote the voluntary and legitimate fulfilment of the taxpayers.
8. Establishing of an electronic and spontaneous data exchange with other countries in order to avoid the double taxation or non taxation.
9. Designing of hardware and software basis for electronic data exchange on tax frauds with the relevant domestic and foreign institutions has been in progress aimed at decreasing of financial crime and tax frauds.
10. Establishing of a Data Exchange Liaison Office in the VAT area within the EU and setting up an appropriate hardware and software basis for VIES and IMCS as a basis for uniform connection for data exchange regarding VAT within the EU.

3.17 ECONOMIC AND MONETARY UNION

3.17.1 MONETARY POLICY

CURRENT SITUATION

LEGAL FRAMEWORK

Law on the National Bank of the Republic of Macedonia

The new Law on the National Bank of the Republic of Macedonia was drafted and sent to the European Commission for opinion, and guidelines were received as how to improve the text. The remarks and recommendations of the European Commission have been intensively implemented in the draft, and the main challenge is the amendment to the draft text in two separate chapters related to the rights and commitments of the National Bank of the Republic of Macedonia after the accession of the Republic of Macedonia into the European Union and after the introduction of the Euro as a common currency.

Instruments of monetary policy and exchange rate policy

In December 2007 the basis for calculation of the mandatory reserve was expanded, in denar and foreign currency with inclusion of accounts where credits approved from foreign banks and other financial institutions are recorded. For that purpose the *Decision on Mandatory Bank Reserve* was adopted (*Official Gazette of the Republic of Macedonia* No 159/08). This change is enforced from 11 February 2008.

During 2008 the National Bank continued using market-oriented instruments of the monetary policy. For better signalling of directions of the monetary policy, the National Bank in February 2008 changed the type of the tender for auctions of treasury bills, i.e. from a tender with interest rates turned into a tender with amounts and predetermined interest rate. The increasing external imbalance and pressures created in the foreign currency market, increase of the inflation expectations as well as the too rapid growth of the credit supply to the population, were the factors that determined taking measures by the National Bank aimed at greater restriction of the monetary policy. For that purpose, the National Bank multiplied the interest rate of the treasury bills (from 5.08% to 5.25% in February, to 6% in March, and to 7% in May). In addition to the increase of the interest rate of the treasury bills, the National Bank in June 2008 increased the interest rate of the Lombard credit by one percentage point, i.e. from 7.5% to 8.5% (*Decision Amending the Decision on interest rates of the National Bank of the Republic of Macedonia, Official Gazette of the Republic of Macedonia* No. 73/08).

Furthermore, in conditions of rapid increase of the credit supply to the population, in June 2008, the National Bank introduced a new instrument - mandatory deposit in National Bank that started to be implemented from August 2008. For that purpose the *Decision on Mandatory Deposit in the National Bank of the Republic of Macedonia* (*Official Gazette of the Republic of Macedonia* No. 73/08) was adopted. The mechanism of functioning of this instrument is realised through providing a mandatory deposit by the banks, savings banks, with the National Bank, in case where the increase of credits of the population overcomes the growth determined in relation to the situation with credits at the end of May 2008. To the deposit separated, the National Bank pays a fee of 1%.

With regard to further support of the development of the inter-bank deposit market, in October 2008, the *Rules on calculation and announcing of the interbank rate on the deposit market (MKDONIA)* were adopted. Thus, as of mid-October, the National Bank started calculating and publishing overnight interbank interest rate, as an indicator of the movements of the inter-bank deposit market.

Upon the initiative of the National Bank in 2007 regarding harmonisation of the regulation for calculating penalty interest for late payment in the Republic of Macedonia with the EU regulation, as well as based on the amendments to the Law on Obligations in July 2008, the National Bank in October 2008 reached a *Decision on a reference interest rate for calculation of the penalty interest rate* (*Official Gazette of the Republic of Macedonia* No. 139/08). In line with this decision, the realised interest rate at the last auction of treasury bills in the previous half year is determined as a reference interest rate for calculation of penalty interest rate in the current half year. The reference interest rate for calculation of the rate for the penalty interest will be announced for the first time on 1 January 2009, while the calculation of the penalty interest will start to apply from 1 July 2009. In this way, with this decision, harmonisation of the national regulation with the EU Directive 2000/35/EC on combating late payment in commercial transactions was enabled.

Statistics

The National Bank is competent for collecting, processing and announcing data in the area of monetary statistics. The National Bank of the Republic of Macedonia (NBRM) exchanges data with the State Statistical Office (SSO) in the area of monetary

statistics. Monetary statistics in the NBRM is designed in accordance with the IMF Rulebook on Monetary and Financial statistics¹¹. The monetary reviews are prepared in denar on a monthly basis and are announced within 30 days upon the expiry of the reporting month at the latest. Apart from the reviews, the NBRM also prepares certain financial indicators (interest rates of the banks, interest rates in the money market, data related to state bills).

After the initial preparation of the new manner of representation of the monetary balance sheets in accordance with the international recommendations and standards, in 2008 activities were taken on automatisation of the standard representations of the balance sheets of the NBRM, the banks, the savings banks and the consolidated balance of deposit institutions. At the same time, activities were realised for preparation of new applicable solutions in accordance with the new accounting plan of the banks.

In the part of development of the statistics of financial accounts based on the available data, simplified aggregated forms of matrices for the money flows in economy were prepared.

The NBRM is responsible for collecting, processing and announcing data in the area of the balance-of-payment statistics. These activities are performed in co-operation with the State Statistical Office. The balance of payments is prepared in accordance with the IMF Balance-of-Payment Statistics – V Edition¹². The data are prepared on a monthly basis and announced 75 days upon the expiry of the reporting month, in US dollars, and from 2006, in euro.

In 2008, in the part of further development and harmonisation with the international standards related to the balance-of-payment statistics, the results from the survey of private transfers were analysed in details. The results obtained, even though providing a better basis for analysis and perception of the size and effects of the private transfers, were still not put currently into function for revision of the actual data and methodology for private transfers, because it is the first research of this kind. In the upcoming period another survey of private transfers is planned (that would also improve the domain and the quality of the data gathered) in order to check the results obtained, which will enable concrete implementation of results in the official balance-of-payment statistics.

Within the activities for transfer from paper to electronic data supply, most banks use electronic information of the payment transactions abroad.

INSTITUTIONAL FRAMEWORK

Pursuant to Article 60 of the Constitution of the Republic of Macedonia, the National Bank is determined as independent issuing bank responsible for the stability of the currency, monetary policy, and for the general liquidity of payments in the Republic of Macedonia and to the foreign countries. In accordance with the Constitution, the organisation and operation of the NBRM are determined by law.

Pursuant to the Law on Organisation and Operation of the State Administrative Bodies (Official Gazette of the Republic of Macedonia, No. 58/00, 44/00), competent institution for preparation of the Law on the National Bank is the Ministry of Finance, recommendation is given by the Government, and the National Bank is a competent institution for implementation of the Law, as well as bearer and competent institution of the bylaws.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

ADOPTION OF NEW LAW ON NATIONAL BANK

The adoption of the new Law on National Bank of the Republic of Macedonia will provide greater independence of the Central Bank, better harmonisation with the Treaty Establishing the European Community and the Statute of the European System of Central Banks and of the European Central Bank, and will provide a basis for legal integration of the National Bank of the Republic of Macedonia in the European System of Central Banks after the accession of the Republic of Macedonia into the European Union

Instruments of monetary policy and exchange rate policy

During 2009 the National Bank will continue to implement market instruments of monetary policy. In conditions of a global financial crisis, the National Bank, on a continuous basis, will re-examine the structure of the monetary instruments in order to improve their efficiency.

Having in mind the decision taken on the reference interest rate to be used for calculation of the penalty interest, the National Bank in July 2009 will abolish the discount rate.

Statistics

¹¹ Monetary and Financial Statistics Manual, International Monetary Fund.

¹² Balance of Payments Statistics -V Edition, International Monetary Fund.

In the field of statistics, by end-2009, the following activities will be realised:

- Commencing the preparation of reports on foreign currency reserves in accordance to the IMF manual and recommendations (Data Template on International Reserves/Foreign Currency Liquidity);
- Improvement of the direct investment statistics;
- Further development of the financial statistics.

Financial Accounting

In the area of financial accounting, to the end of introducing an integrated accounting system, a project was prepared in 2008 for design/procurement of software solution for integrated accounting system. In the first quarter of 2009 a tender should be announced for procurement of an integrated accounting system. The selection of the supplier should be completed by end - September 2009. In the last quarter of 2009 the designing of a blue print is planned for implementation of the accounting software with the selected supplier.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

Harmonisation with the ESCB and ECB regulatory and operational framework

Strengthening of the institutional capacity of the NBRM, in terms of enabling a higher degree in harmonisation with the ESCB and ECB regulatory and operational framework is a medium-term priority, where one segment of its realisation will be supported by the *"Needs Assessment Project for the NBRM in the process of ECB and ESCB accession"*, financed within IPA Component 1. The aim of this Project is to assess the gaps in the regulatory and the operational framework in the work of the NBRM in terms of the ESCB and ECB work, thus identifying priority areas where harmonisation is required, and a framework of activities and time periods will be provided, as well as a framework of the financial and human resources necessary for realisation of the activities. This will enable systematisation of all aspects of the process of regulatory and operational harmonisation of the NBRM activities in line with the EU integration phases, and interim establishment of formal relations with the institutions - partners of the NBRM in the integration process.

Instruments of monetary policy and exchange rate policy

On medium-term, the National Bank will adjust the monetary instruments according to the setup and the trends in the euro zone, the more advanced economies in transition that run similar monetary strategy. Introduction of the deposit instrument in the National Bank is planned on medium-term, taking into account that the banking system is characterised with structural liquidity excess.

Statistics

In order to further adapt the statistics (part that is in the domain of the NBRM) to the requirements of the ECB, in the following period the NBRM will continuously conduct adaptations.

- The National Bank of the Republic of Macedonia will work on providing an adequate level of disaggregation by countries, currencies and sectors, adequate distribution of the financial instrument as well as further improvement of the data quality, applied methodology and the data sources.
- The National Bank of the Republic of Macedonia will start preparing reports on foreign currency reserves according to the IMF manual and recommendations (Data Template on International Reserves/Foreign Currency Liquidity).
- Improvement of the methodology for assessment of private transfers in the balance of payments.

Financial accounting

Observing the need that the NBRM, as a member of the ESCB and ECB, will also report according to the Guideline of European Central Bank of 10 November 2006 on the Legal Framework for Accounting, in the second quarter of 2010 an analysis will be launched of differences arising from the implementation of the IFRS standards, and the standards of the ECB on accounting reporting. At the same time, a plan and dynamics of activities on harmonisation of the registration and preparation of financial statements of the NBRM will be prepared, in accordance with the policies of the European Central Bank.

The identified differences are as follows: rules on recognition of realised and unrealised incomes, new accounting rules for registration of new types of monetary instruments, changes in the part of the rules for assessment of the balance positions, to reach daily update preparation of the NBRM balance sheet (it is now 15 in the current month for the previous month), to make changes in the manner of financial reporting and other changes. For realisation of this project, technical assistance is required by some of the central banks or by the ECB.

In order to apply the ECB accounting policies, the accounting system of the NBRM should be as integrated as possible. Introduction of an integrated accounting system is already planned, and financial sources are already projected thereof, but the overall amount cannot be projected yet, as well as the phases and dynamics of implementation of the integrated accounting system.

FOREIGN SUPPORT

Within the IPA programme (Component 1) for 2009, a Needs Assessment Project for the NBRM in the process of ECB and ESCB accession has been envisaged.

3.17.2 ECONOMIC POLICY

I. CURRENT SITUATION

LEGAL FRAMEWORK

Macroeconomic policy

Taking into account the current situations in the Republic of Macedonia in the area of analysis and reporting on economic policies, there is necessity for institutional strengthening for reaching the following goals:

- Improving the quality of macroeconomic analysis, modelling and projections in the national economy, by applying financial programming, provides for more quality "counselling" of the Government of the Republic of Macedonia and designing optimal economic policies and reforms, as well as better quality preparation of strategic documents, such as the Pre-Accession Economic Programme, the Macroeconomic Policy, the National Development Plan, etc.);
- Developing of more sophisticated methods and/or models of planning the budget revenues so as to improve the overall budget process and to efficiently use the available resources.

Public debt

Legal regulation governing the indebtedness of the public sector in the Republic of Macedonia includes the following:

- Law on Public Debt
- Law on Budgets
- Law on Financing of Local Self-Government Units
- Public Debt Management Strategy

Main objectives of public debt management, pursuant to the Law on Public Debt are as follows:

- Stable financing of the needs of the state, incurring minimal costs, on the medium and long-term, as well as acceptable level of risk, and
- Development and maintenance of an efficient domestic financial market.

On 9 July 2008 the Assembly of the Republic of Macedonia adopted the Law Amending the Law on Public Debt (Official Gazette of the Republic of Macedonia No. 88/08). These interventions in the legal framework should eliminate certain problems in the manner of presenting data on the public debt, the manner of indebtedness of municipalities and the public firms, i.e. companies fully or dominantly owned by the state or the municipalities, the municipalities in the City of Skopje and the City of Skopje, the manner of preparation and the content of the Public Debt Management Strategy, as well as the procedures of issuing government securities and early purchase thereof.

Indebtedness in the public sector can be in the form of loans from domestic or foreign creditors or in the form of government securities issued on the domestic or foreign market.

Public debt issuers, pursuant to the Law on Public Debt are the following: the Government of the Republic of Macedonia, the municipalities and the City of Skopje, the public enterprises and the companies fully or dominantly state-owned, as well as the National Bank of the Republic of Macedonia. With respect to external and domestic indebtedness and issuance of sovereign guarantees for external and domestic indebtedness, it is necessary, pursuant to the Law on Public Debt, to obtain a positive opinion from the Ministry of Finance, as well as approval by the Government of the Republic of Macedonia afterwards. If it is a matter of external indebtedness and issuance of sovereign guarantee for external indebtedness, it is necessary for the Assembly of the Republic of Macedonia to adopt a law.

INSTITUTIONAL FRAMEWORK

With respect to the organisational structure of the Sector for Public Debt Management, it is fully staffed, employing 11 persons, comprising the following units:

1. Unit for Indebtedness and Investments (Front office)
2. Unit for Public Debt Management Policies and Risk Analysis (Middle office)
3. Unit for Registration, Monitoring and Servicing of the Obligations due to the Public Debt (Back office)

The Sector for Public Debt Management within the Ministry of Finance cooperates and coordinates with the: Sector for EU Harmonisation and International Finance, Sector for Budget and Funds, Sector for Treasury, Sector for Financial System and

Sector for Macroeconomic Policy. The following are the institutions with which the Ministry of Finance cooperates regarding public debt management: National Bank of the Republic of Macedonia, Macedonian Securities and Exchange Commission, Central Securities Depository, Macedonian Stock Exchange, commercial banks and other market participants.

The Ministry of Finance has concluded an Agreement for Fiscal Agent with the National Bank of the Republic of Macedonia for the purpose of carrying out auctions of government securities, and Agreement with the Central Securities Depository for registering, keeping and submitting data of the government securities holders.

II. SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

In order to improve the legal framework, in the upcoming period it is envisaged to adopt a regulation on the manner and the procedure for indebtedness of municipalities, public enterprises and companies fully or a dominantly owned by the state, the municipalities, the municipalities in the City of Skopje and the City of Skopje. This manual will derive from the Law on Public Debt and it will be adopted as bylaw after the adoption of the amendments to the Law on Public Debt.

INSTITUTIONAL FRAMEWORK

Macroeconomic policy

On short-term, the Sector for Macroeconomic Policy will be staffed with additional personnel in line with the existing systematisation, and activities for development of financial programming and projecting of the budget revenues will commence.

Public debt

The Sector for Public Debt Management at the end of 2008 had 11 employees. Due to the need for extension of the activities in the following years, the Unit on Indebtedness and Investments and the Unit for Public Debt Management Policies and Risk Analysis requires administrative strengthening during 2009 and 2010 for which purpose two new employments are planned. It is necessary to fill the vacant work post of the manager of the Sector for Public Debt Management. Until the end of 2008 it is expected to implement the new software application in which an integrated data base of the entire public debt of the state will be created.

III MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

The framework that determines the policy of indebtedness in the Republic of Macedonia is the Public Debt Management Strategy relating to the period of the next three years, and it is adopted each year by the Assembly of the Republic of Macedonia. The current Public Debt Management Strategy was adopted on 24 July 2008 and is valid for the period 2008-2010.

It envisages a framework of domestic and foreign indebtedness within a period of three years as well as directions for improvement of the debt portfolio features of the Republic of Macedonia.

According to the Medium-Term Public Debt Management Strategy, the Ministry of Finance continues the issuance of government securities (GS) in the upcoming period. The primary intention is to maintain the existing maturity, meaning regular issuance of treasury bills (TB) with the existing maturity of 3, 6 and 12 months, as well as increased issuance of government bonds (GB) with 2 and 3 year maturity, with a possibility to issue government securities with longer maturities depending on the market impulse. The experience so far regarding the issuance of government securities leads to the conclusion that the frequency of issuing securities corresponds to the market needs and the Ministry of Finance will continue with the same dynamics. Net issue of government securities in the upcoming years will also increase in line with the plan and projections for government securities issue. Regarding the introduction of primary dealers, the Ministry of Finance continues to monitor the participating banks in the auctions, which started in May 2006. The Ministry of Finance will adopt a decision on introduction of primary dealers system, i.e. it will select a limited number of banks to have exclusive right to purchase at the auctions on the primary market of government securities, at the same time introducing rigorous obligations for placement of government securities to be listed on the secondary market, etc. The Ministry of Finance expects that the primary dealers will contribute to the increase of competition between the banks and to provide for more efficient implementation of the primary issue of government securities.

In order to secure the financing of the state needs with the lowest possible costs on medium and long-term, at the same time keeping a sustainable risk level, pursuant to the Law on Public Debt, the following objectives are defined:

1. Primary objectives

- Share of euro-denominated debt in the total external debt of 67%-70% spread (with a maximum allowed deviation of +/- 3 percentage points)
- Gradual increase of the share of the denar in the total public debt and its spread of 9%- 18% (with a maximum allowed deviation of +/- 2 percentage points)

Secondary objectives

- Total public debt to GDP ratio
 - Level of general government debt not to exceed 35% of GDP in the upcoming three years.
 - Level of public debt not to exceed 40% of GDP in the upcoming three years
- Guaranteed public debt to GDP ratio
 - Amount of guaranteed public debt not to exceed 6% of GDP in 2008, 5.6% in 2009 and 5% in 2010.

INSTITUTIONAL FRAMEWORK

Macroeconomic policy

Should the necessary foreign (expert) assistance be provided, the capacity of the Sector for Macroeconomic Policy is expected to increase significantly on the medium-term regarding the application of financial programming when projecting macroeconomic variables and assessment of the effect of the planned government policies and measures. Increased accuracy in planning budget revenues will provide for enhancement of the overall budget process, as well as for more rational and more predictable planning of budget revenues, paying special attention to the priorities.

Public debt

After strengthening of the administration capacities in the departments to be realised during 2009 and 2010, the Sector will be fully professionally staffed.

IV. FOREIGN SUPPORT

During 2008, the Sector for Public Debt Management made use of technical assistance in the area of cash management through a visiting consultant financed by the USAID (Business Environment Activity Project). Expert assistance was also provided for credit lines analysis focused to municipalities, as well as support for drafting of the Guidebook for Investors in Government Securities. The USAID (World learning) funded the study visit to the Czech Republic, and assistance is announced to the Sector for a study visit to Turkey to take place in 2009. In the previous year the administrative capacities of the employees in the Sector for Public Debt Management were reinforced through several participations at conferences, training and seminars, organised by the JVI Joint Vienna Institute, the International Monetary Fund, the OECD and the World Bank. This cooperation will continue during the next year. There are also funds from the grant provided by the Dutch Government to be used for training and consultations with experts.

3.18 STATISTICS

3.18.1 STATISTICAL INFRASTRUCTURE

CURRENT SITUATION

LEGAL FRAMEWORK

The Statistical Research Program for the period 2008-2012, as the most important bylaw on the state statistics, was adopted by the Government of the Republic of Macedonia in January 2008 (Official Gazette of the Republic of Macedonia No 11/08).

An analysis of the expert and methodological issues related to the Census of Population and Housing 2011 is being made and it will be a basis for drafting the Law on Census of Population and Housing of the Republic of Macedonia 2011.

MEDIUM-TERM PRIORITIES

- Harmonisation of the Law on State Statistics with the EU Regulation in terms of the use of micro-data by adoption of the Law amending the Law on State Statistics
- Law on the 2011 Census of Population and Households

ADMINISTRATIVE CAPACITIES OF THE STATE STATISTICAL OFFICE

CURRENT SITUATION

In March 2008, upon the consent given by the Agency for Civil Servants, the Director of the State Statistical Office adopted new acts on systematisation of job posts as well as on internal organisation and operation of the State Statistical Office. These acts provided for a total of 370 job posts. For the first time special Units for human resources and internal revision together with a unit for monitoring the statistical program and strategic planning were included in its new organisation. Since 1.05.2008 the employees have been deployed in accordance with the new organisational structure.

In 2008 the State Statistical Office realised the employments as planned by NPAA for 2007 – 12 persons, and for 2008 – 17 persons. Presently, the Office employs a total of 271 persons out of whom 85 persons are employed in the regional units.

As regards the establishment of the system for calculating the costs, two IT system modules were designed and implemented. At the moment the module of print records and print cost distribution in the appropriate cost unit is at the test stage. Furthermore, the module of records on operations during the working hours is finalised and a group of 20 employees is testing the functionality of the system as well as the completeness of the catalogues offered.

The 2008 Budget of the State Statistical Office, compared to 2007, has been increased by 15%.

In accordance with the training program for 2008, the State Statistical Office organised 11 lectures given by its employees, that is, 5 in-house and 6 in country. The lectures encompasses different topics: input information on national accounts, screening, enhancement of conception and practice of quality monitoring, cost calculation system, preparations for the Census of Population 2011, census cartography, team work, preparation of strategic plan, regional accounts and indicators for sustainable development, working relations, input-output tables and methodology of statistics related to households and housing. In average, the lectures were attended by 26 participants.

SHORT-TERM PRIORITIES

- Strengthening administrative capacities of the State Statistical Office :
 - Increase of the budget by 14,6 % in comparison to 2008
 - Employment of 23 persons in 2009.
- Increasing the efficiency of the strategic planning, budgeting and human resources management processes:
 - Pilot application of the system for budgeting and costs monitoring per activities
- Decreasing the reporting units burden:
 - Analysis of situations
 - drafting a proposal accompanied by an action plan
- Staff training in relevant methods and procedures including IT support.
(to be continued as a medium-term activity):
 - Trainings in relevant methods and procedures
 - Participation at international meetings organised by Eurostat and other institutions

MEDIUM-TERM PRIORITIES

- Strengthening administrative capacities of the State Statistical Office :
Employment of 22 persons in 2010.
Employment of 10 persons in 2011.

STATISTICAL OUTPUT SUPPORT, TECHNICAL INFRASTRUCTURE

A. ASSESSMENT AND QUALITY MANAGEMENT

CURRENT SITUATION

Quality Management Policy of the State Statistical Office was drafted. The draft reports on quality as for the Labour Force Survey and the Survey for Use of IT Information and Communication Technologies by business and financial entities were evaluated by the consortium of the State Statistical Office and Eurostat experts and the design of such reports was also upgraded. Two new quality reports are being drafted – for the research on annual index of industrial production and the quarter research on the added value. The quality indicators applied by the European Statistical System (ESS) are used by the Office to make continuous calculations of the variants and coefficients of variation for all sample researches including the non-response/response rates. Special attention is paid to timeliness and punctuality.

SHORT-TERM PRIORITIES

- Reporting on research quality by:
 - Preparation of a methodological instruction for quality reports drafting
 - Reporting on quality of at least another two new statistical researches

MEDIUM-TERM PRIORITIES

- Development of a Statistical Data Quality Management System by:
 - Application of EU recommendations concerning the quality of statistical researches and statistical data
 - Drafting the Code of Practice
 - Developing a Process Monitoring System
 - Developing a Self-evaluation System

B. IT INFRASTRUCTURE AND SERVICES OF THE STATE STATISTICAL OFFICE

CURRENT SITUATION

As regards the technical infrastructure a complete renewal of IT environment in the Central Statistical Office and the eight Regional Units has been made. Migration from the totally old Windows NT technology to Windows 2003 started in 2007 and ended in September 2008. For purpose of significant improvement of the network and data safety Windows Active Directory has been applied. Apart from replacement of almost ten-year old servers, a great number of personal computers have also been changed. Thus, the oldest computers of the State Statistical Office date from 2003. Moreover, the conditions at the server room are improved by installation of a new cooling system and the equipment is protected by overvoltage and power cut-off circuit by new continuous power supply.

As regards the IT systems for statistical research support, around 20% of applications for data entry are processed from MS Access into Blaise.

SHORT-TERM PRIORITIES

- Processing of applications supporting statistical surveys by using contemporary tools in accordance with relevant EU standards, development of applications for data collection via Internet.
- Development of standardised applications for planning, monitoring of operations, reports drafting etc.,
- Establishment of common operational standards and methods.

MEDIUM-TERM PRIORITIES

- Maintaining of continuity in the modernisation of IT environment to ensure efficient support for the process of statistical production and internal and external communication via:
 - A partial upgrade of IT infrastructure and software tools;
 - Processing the applications for supporting statistical surveys by using contemporary tools in accordance with relevant EU standards, development of applications for data collection via Internet.

C. IT NORMALISATION AND COLLABORATIVE INFRASTRUCTURE FOR EUROPEAN STATISTICAL SYSTEM (ESS)

CURRENT SITUATION

The State Statistical Office has installed the Eurostat software eDAMIS Web Application – eWA. There is a continuous increase of the number of data sets which are transferred to Eurostat through a Single Entry Point (SEP) by the use of eWa tool. The first

software applications for transcodification of data from the Labour Force Survey have been designed and such data have been transferred to Eurostat.

SHORT-TERM PRIORITIES

- Further increase of the number of data sets which are delivered to Eurostat through the Single Entry Point by Eurostat data transmission products and tools;
- Design of software applications for transcodification of data delivered to Eurostat for purpose of new statistical searches (Household Consumption Survey).

MEDIUM-TERM PRIORITIES

- Integration of data in the Eurostat databases by accepting the standards for data and metadata transmission;
- Implementation of EU standards related to data and metadata exchange.

D. REFERENCE DATA AND METADATA STORAGE

CURRENT SITUATION

The existing metabase consisting of basic data on organisational structure, statistical survey and published documents as well as relations between them is being continuously updated, and the available metadata are used for productive goals of preparation of an Annual Program on Statistical Survey or in separate modules of calculation costs system.

The process of continuous monitoring of development of metadata methodology at international level and adoption of methods and techniques for definition of State Statistical Office metamodel.

SHORT-TERM PRIORITIES

- Preparations concerning development of the central data base of metadata in the State Statistical Office ;
- Realisation of activities in accordance with the detailed schedule;
- Description of the model for implementation of the register of variables and creation of the model of the central metabase;
- Prepared census of harmonized variables for a significant part of the statistical surveys.

MEDIUM-TERM PRIORITIES

- Specification and implementation of IT registry system of variables;
- Survey of possibilities for development of the metadata managed application for entry of data from statistical surveys.

E. RESEARCH IN STATISTICS AND METHODOLOGY

CURRENT SITUATION

An auxiliary sample Labour Force Survey Form is designed and it enables monitoring of persons in the rotation model during the year. The short-term quarter forecasts by regions, sex and age provide for calibration of data from surveys on labour force and household consumption by use of SAS (Statistical Analysis System) macro CALMER.

SHORT-TERM PRIORITIES

- Organization and introduction of training programs and technical support in the sample design theory area;
- Design of SILC (Survey on Income and Living Conditions) sample and development of estimation method (creation of ponderers and errors estimations).

MEDIUM-TERM PRIORITIES

- Organisation and introduction of training programs and technical support for sample design theory;
- Software for designing and processing of sample plant production research.

F. DATA SAFETY AND STATISTICAL CONFIDENTIALITY

CURRENT SITUATION

The statistical confidentiality is one of the principles of the state statistics. Confidentiality means that the level of confidentiality of the data collected from the report units through the statistical researches is absolutely guaranteed and the data are used solely for statistical purposes.

The legal acts governing the personal data protection and statistical confidentiality are the following:

The Law on State Statistics (Official Gazette of the Republic of Macedonia No 54/97 and 21/2007) and the Law on Personal Data Protection (Official Gazette of the Republic of Macedonia 07/05 and 103/08).

The safety of IT system in the State Statistical Office is implemented in the everyday practice including:

- Physical safety;
- Safety of data and network;
- Communication safety.

The physical protection measures are as follows: personnel for physical security, protection doors to be accessed by an access code, video surveillance, containers and safe boxes for keeping optical and magnet data media.

Data and network safety is secured by training and raising of awareness of the responsible staff for protection following strictly defined procedures.

In the State Statistical Office there is a prescribed procedure for daily back-ups of data entries and back-ups before and after updating of registries and other data bases. There is also a procedure for archiving data and applications upon any statistical research conducted. The archived data and back-ups are kept in a fire-resistant safe box in the building of the State Statistical Office as well as in a safe box at another location.

The procedure for a regular system back-up of servers is also defined.

The access to data bases is limited and controlled by the process of authentication and authorization.

Windows2003 Active Directory is applied for ensuring safety of the network and regulation of selective access to the network resources. User name and password are allocated to each employee to have an access only to certain network resources in accordance with a prior defined policy for different categories (administrators, operators, users).

The employees have an access to Internet via MS ISA (Microsoft Security and Acceleration Server), which means that not a single computer of the local network have an access to Internet.

The protection against viruses is provided by the software McAfee Total Protection which is installed on a separate server and it is upgraded on a daily basis.

SHORT-TERM PRIORITIES

- Continuous improvement of data safety by upgrade of technology (hardware, software) and rules of protection.

MEDIUM-TERM PRIORITIES

- Implementation of international standards on protection of information systems:
 - study and implementation of SDC (Statistical Disclosure Control) methods by designing/adaptation of appropriate software.

DISSEMINATION

CURRENT SITUATION

Dissemination of statistical data should enable access to and use of statistical data by users in the country and abroad. The statistical data are available to the users in several formats – printed publications as different types of periodicals, web dissemination and preparation of data according to the user needs.

In 2008 in the field of statistical data dissemination the following activities were realised:

- Procurement of software tool PC Axis – dissemination software;
- Dissemination of data from the Census of Agriculture 2007 in PC Axis and electronic publications with final results from the Census on the web page of the State Statistical Office ;
- Application of the redesigned edition *Releases* as of the contents and technical aspects;
- Provision of electronic statistical research formats on the web page as a start of electronic data collection;
- Definition of a document for web page redesign (contents and technical aspect);
- Preparation of several new and promotive editions on certain topics for the users;
- The updated version of the GDDS (General Data Dissemination System) is sent to IMF.

SHORT-TERM PRIORITIES

- Implementation of the Data Dissemination Strategy:
 - A basic goal of the dissemination strategy is to ensure publicity and equal access of products and services of the State Statistical Office to the users. It includes the dissemination formats and methods which will be realised by the State Statistical Office in the forthcoming quarter. Since its application is to begin soon, an evaluation of the fulfilment will be made and a new document will be prepared.
 - This Strategy aims at consistency of the Macedonian dissemination system with the European statistical practice.

- Development of web dissemination is to be the key aspect.
 - Strengthening of cooperation through media is of special interest, and to that effect, in the beginning of 2008 an application of the redesigned Releases began.
 - In order to increase the use of the statistical data it is necessary to start activities for increasing the statistical literacy.
 - To be continued also as a medium-term priority.
- Strengthening confidentiality of official statistics:
 - In order to fulfil the strategic goal of the institution to strengthen confidentiality it is a priority to gain knowledge about the users of data or services of the State Statistical Office. Thus, it is envisaged to carry out a Survey of Consumer Satisfaction and based on obtained results to redefine the forms and contents of the dissemination products.
 - Confidentiality of official statistics should be strengthened by enhancement of the public security that the personal data are not misused and also by definition of rules for access to data for scientific and research goals as well as definition of a Micro data Access Policy.
 - To be continued also as a medium-term priority.

MEDIUM-TERM PRIORITIES

- Implementation of Data Dissemination Strategy
- Strengthening confidentiality of official statistics
- Establishment of co-operation with other participants in the statistical system in terms of dissemination:
 - Consistency of the Macedonian statistical system should also be maintained in the domain of dissemination. In this regard it is necessary to establish cooperation with the participants in the statistical system and ensure also application of the European dissemination principles with other participants in the statistical system.

3.18.2 CLASSIFICATION AND REGISTERS

CURRENT SITUATION

LEGAL FRAMEWORK

Efforts related to harmonisation of the National Classification of Activities NCA rev.1 with the European Classification of Economic Activities NACE rev.2 (Nomenclature of Economic Activities in the European Community) have been intensified. In November 2008 the Government adopted the National Classification of Economic Activities as a national standard and its implementation will begin on 1. 01. 2009.

There are on-going activities concerning harmonisation of:

- The National Nomenclature of Industrial Products with the European Nomenclature PRODCOM (PRODUCTION COMMUNAUTAIRE);
- The National Products Classification with the European Classification CPA (Classification of Products by Activity).

SHORT-TERM PRIORITIES

- Harmonisation of the national system of standards with the European system of standards:
 - Decision on establishment of the National Nomenclature of Industrial Products NNIP by the Government of the Republic of Macedonia
 - Decision on establishment of the National Products Classification NCP

MEDIUM-TERM PRIORITIES

- Continuous harmonisation of the national system of standards with the European system of standards:
 - Decision on establishment of the National Classification of Occupations NCO with the International Classification of Occupations ISCO – 08.

REGISTERS

CURRENT SITUATION

The State Statistical Office presently is running the process of establishing and keeping statistical registers.

The content of the Statistical Business Register (SBR) is defined into: statistical units (legal unit, enterprise and local unit), variables for every unit and relations between the units in SBR: The methodological instruments for the Census of Business Subjects are prepared. To test the methodological instruments the Pilot-Census of Business Subjects was conducted in May 2008.

In September 2008 the Census of Business Subjects was conducted. It was carried out by mail, that is, the census forms were sent to the business subjects by mail. The Census makes a good basis for verifying reliability of the data of the Statistical Business Register as well as their update. This high statistical activity provided for testing of the Draft National Classification of Activities as regards the corresponding tables.

Activities concerning collection of the statistical forms from the field and processing of census material are in progress.

Activities concerning establishment of Statistical Farm Register are initiated. The units of the Farm Register including the variables are established.

The Statistical Population Register SPR - improvement of methodological bases and functionality of SPR is underway, harmonised with the European standards and recommendations.

Statistical Territorial Units Register STUR - From 1.01.2008 the new Nomenclature of Territorial Statistical Units NTSU was adopted by the Government of the Republic of Macedonia in December 2007. In accordance with the Law on Real Estate Cadastre (adopted in March 2008), the Register of Territorial Units kept by the State Statistical Office came under the jurisdiction of the Office for Cadastre of Real Estate ACRE.

SHORT-TERM PRIORITIES

- Activities related to exemption of the State Statistical Office from the administrative functions and management and a complete focus on the basic operation. Such activities will be realised through the following:
 - Transfer of methodological, organisational and technical processing of data from the Voters List of the State Election Commission.

(to be continued in MEDIUM-TERM PRIORITIES)

- Establishment, keeping and update of the Statistical Business Register SBR through the following activities:
 - Rearrangement of business subjects in the SBR in accordance with the National Classification of Activities NCA rev.2;
 - Controls and corrections of activity of business subjects;
 - Preparation of procedures concerning update of legal units, enterprises and local units;
 - Introduction of groups of enterprises (to be continued also in MEDIUM-TERM PRIORITIES);
 - Introduction of demography of enterprises (to be continued also in MEDIUM-TERM PRIORITIES).
- Establishment and update of Statistical Farm Register (set-up of simplified farm typology)
- Keeping and update of Statistical Population Register
 - Improvement of the SPR methodology and functionality harmonised with the European standards and recommendations (to be continued in MEDIUM-TERM PRIORITIES)
- Statistical Territorial Units Register:
 - Preparation of certificates from the Register of Territorial Units for conducting and processing statistical research;
 - Preparation of thematic charts for different publications and other needs;
 - Following changes in the national and European legislation.

MEDIUM-TERM PRIORITIES

- Upgrade of the Statistical Business Register SBR by introduction of groups of enterprises
- Introduction of demography of enterprises
- Development and continuous upgrade of functionality of the Statistical Farm Register
- Transfer of Population Register into the Ministry of Internal Affairs
- Transfer of Administrative Territorial Units Register into the Real Estate Cadastre Office
- Preparation of methodology of keeping Statistical Territorial Units Register in accordance with the Administrative Territorial Units Register
- Establishment and keeping Statistical Territorial Units Register.

3.18.3 SECTORIAL STATISTICS

3.1. DEMOGRAPHIC, SOCIAL STATISTICS

CURRENT SITUATION

As regards population statistics:

The short-term (quarter) projections of population by regions, sex and age for the first two quarters of 2008 were drafted and analysed.

As for the population projections for 2005-2055 a calculation was made and a draft publication of Analysis of Movement of Factors for Demographic Development was prepared.

Within the preparations of the future Census of Population and Housing 2011, the Global Action Plan for the Census 2011 was made, the sets of Census major and minor features were defined based on inter-sectorial cooperation with a series of presentations held in the State Statistical Office as well as in collaboration with the external users.

In cooperation with UNFPA a regional workshop on application of international recommendations for the future Census 2011 was organised.

The draft methodological instruments for implementation of the Pilot Census 2009 were prepared.

As regards the migration statistics during 2008 the data were collected by means of questionnaires and from the database of the Ministry of Internal Affairs and a complete analysis of use of data from the Administrative Register of Foreigners of the Ministry of Internal Affairs was made.

Within the area of statistics on social protection it is necessary to intensify the cooperation with the institutions for purposes of study and implementation of ESSPROS methodology.

Labour Force Survey (LFS) in the Republic of Macedonia – The contents of the questionnaires was improved and the evaluation of the representativeness and size of data samples and quality was made at a regional level. Experimental calculations of the data were made at a regional level for 2004, 2005 and 2006. In accordance with EU standards

2006 LFS data transcodification was made and such data were transmitted to Eurostat.

2007 LFS data transcodification was also prepared.

Labour Cost Survey (LCS) – The index of the labour costs for 2007 and the first two quarters of 2008 based on the data of paid working hours from the monthly research on employees and wages has been calculated.

Household Consumption Survey (HCS) – Experimental calculations by regions for 2004, 2005 and 2006 have been made on a yearly basis. For the purpose of improving the quality of the results from the survey at a regional level and by quarters, in 2007 the sample was redesigned and when 2007 data are processed, a calibration will also be made. 2005 HCS data transcodification was made in accordance with the recommendations and standards for data transmission to Eurostat.

Time Use Survey – Preparatory activities have been done for purpose of implementation of the survey during 2009. The formats and methodology are prepared in accordance with the most recent Eurostat recommendations and standards.

SHORT-TERM PRIORITIES

- Data transmission to Eurostat in accordance with EU standards
 - 2008 LFS data transcodification and transmission
 - 2005 HCS data transmission
 - Supply of data on time use
 - Carrying out the Time Use Survey
- Implementation of the Global Action Plan on the Census of Population and Housing 2011 (to be continued also in MEDIUM-TERM PRIORITIES)
 - Carrying out the Pilot Census of Population and Housing 2009
 - Preparation of the census cartography by the new available technology
- Preparations for carrying out the Pilot Survey on Income and Living Conditions SILC through:
 - Study of the methodology and preparation of instruments
 - Carrying out the Pilot Survey on Income and Living Conditions SILC
- Preparation and publication of populations projections at the regional level through:
 - Publishing a publication
- Study of the ESSPROS (European System of Integrated Social Protection Statistics) methodology – competent authorities MLSP; HIF; FPI in cooperation with the State Statistical Office through
 - Intensifying activities of the Working Group for ESSPROS
 - Preparation of an Action Plan
- Carrying out the research on wages in the public and private sector

MEDIUM -TERM PRIORITIES

- Continuous data transmission to Eurostat in accordance with EU standards
- 2008 Labour Cost Survey data transcodification and transmission
- Carrying out activities related to the future Census of Population and Housing 2011
 - Preparation of an operational plan on organisation and carrying out the Census of Population and Housing 2011;
 - Preparation of methodological material and instruments for carrying out the Census 2011

- Carrying out a pilot survey - Continuous Vocational Training Survey CVTS through:
 - Study of the methodology and preparation of instruments
 - Preparation of a plan on organisation and implementation
 - Carrying out a pilot survey
- Application of ESSPROS methodology – the competent authorities MLSP; HIF; FPI in cooperation with the State Statistical Office, through:
 - Calculation of costs for social protection by user categories according to ESSPROS
- Preparations for carrying out the research project Profit Structure and Distribution, through:
 - Study of EU regulations and standards and preparation of methodology and instruments
 - Carrying out a pilot research
- Preparations for carrying out the Survey on Income and Living Conditions SILC through:
 - Study of the methodology and preparation of instruments:

3.2. ENVIRONMENT STATISTICS

CURRENT SITUATION

In accordance with the dynamics foreseen in the course of 2008, in the area of waste statistics, activities related to preparations of methodological instruments for the pilot industry waste research project were carried out. A questionnaire, methodological instruction and classification of waste types and categories were prepared being harmonised with the EU Regulations 2150/2002 concerning waste.

A pilot research was made based on a sample.

An application for data entry and data processing is being prepared.

In the course of 2008 a complete revision of the communal waste questionnaire was conducted and it was harmonised with the European standards.

As regards the water statistics a part of researches has been revised and the questionnaires have been harmonised with the EU standards.

SHORT-TERM PRIORITIES

For 2009 activities related to the waste statistics are foreseen such as:

- Preparation and carrying out industrial waste research.
- Carrying out communal waste research (data collection, preparation of application for data entry and data processing as well as data publishing)

MEDIUM-TERM PRIORITIES

As regards the waste statistics, activities for preparation and carrying out waste researches in all sectors according to the National Classification of Activities NCA are foreseen. It is envisaged that such preparation is to begin during 2010 and the research in 2011.

In the context of the environment-related costs, activities for preparation and carrying out a pilot research of such costs are foreseen for 2011.

3.3. MACROECONOMIC STATISTICS

CURRENT SITUATION

To the end of calculation of GDP on a quarterly basis, according to the production and expenditure method, upon current and constant prices by use of double-deflation method, during 2008 four (4) missions of the International Monetary Fund (IMF) were accomplished. The missions resulted into improvement of the existing calculations and an analysis of available data. New calculations were made with certain categories by use of new indicators or procedures. That led to a revision of the data and the methodological solutions.

Publishing data according to these calculations will referred to 2006, 2007 and 2008 and knowledge will be obtained about the possibility of return of the data series by 2000.

- In 2008 the tables of supply and table of use and the symmetric tables for 2005 were prepared and published. Calculations were improved and the data were delivered to Eurostat.
- Eight tables of the set of tables of the Regulation concerning delivery of tables to Eurostat for checking was submitted. Preparations of other data tables for 2007 are also ongoing.
- In 2008 the second stage of the Project on Exhaustiveness of NA (National Accounts) was finalised. As a result of this activity of the State Statistical Office calculations according to the tabular method on exhaustiveness of accounts and calculations of

the imputed rent value in accordance with the Regulation 1722/2005 were made. These calculations are to be integrated into the final calculations of the gross domestic product for 2007.

During 2008 the State Statistical Office prepared the data concerning gross domestic product at the regional level for 2006 by use of the experience from the calculations for 2004 and 2005. Possibilities for improvement of the calculation methods are continuously reviewed with an analysis of the existing data with a view to harmonising such data with the recommendations concerning regional accounts (Directive 2223/96). The data calculated are submitted to Eurostat for opinion.

The implementation of activities related to the European Comparison Program 2008 is in progress and the market prices of the products and services are currently screened upon a previously created and harmonised lists of products and services by Eurostat. All stages are in line with the time table of Eurostat and the country-leader. All necessary tables of calculations of gross domestic product according to Purchase Power Standard for 2007 are submitted.

In June 2008 a publication with data from the European Purchase Parity Comparison for 2005 was published.

The methodology of preparation of Euro-indicators and indicators of sustainable development is being studied. A Report on methodological bases for indicators is prepared and presented to the State Statistical Office with a view to harmonising methodologies for indicator calculation.

Compilation of production account and the Government account have been drafted.

The data of calculations in the field of health care have been analysed and data reclassification has been made in accordance with the classification of health accounts.

SHORT-TERM PRIORITIES

- Compilation of economic accounts by institutional sectors and design of integrated set of economic accounts
 - Organisation of available data in accordance with recommendations of ESA 95 (European Account System)
- Improvement of calculations from the tables of supply and tables of use
 - Preparation of tables of supply and tables of use in current prices for 2006
 - Delivery of data for the tables of supply and tables of use for 2006 to Eurostat
- Preparation of methodology for gross domestic product which will incorporate all improvements made in the data up to 2007
 - Preparation of methodology for gross domestic product within the Regional Project IPA 2007
- Improvement of the quality of data on added value at a regional level (NTUS 3-Nomenclature of Territorial Units for Statistics).
 - Preparation, analysis and publishing of data for added value by regions for 2000-2007
- Continuing activities within the Project PPP (Purchase Parity Power), round 2008
 - Collection, confirmation and delivery of data to Eurostat (to be also continued as a medium-term priority)
- Harmonisation of the calculation of macro-aggregates in accordance with ESA 95
 - Implementation of Regulation 448/98 with respect to allocation of financial services indirectly measured
 - Delivery of data to Eurostat by preparation of a delivery calendar in accordance with Eurostat Regulation 1267/2003
- Development of health accounts
 - Establishment of a Working Group consisting of participants from the Republic Institute for Health Protection and Health Insurance Fund
- Improvement of sectoral accounts, calculation of data on account balancing by sectors and corrective positions
 - Signing an agreement between the State Statistical Office, National Bank of the Republic of Macedonia and the Monetary Fund regarding improvement of macroeconomic monetary and financial statistics

MEDIUM-TERM PRIORITIES

- Improvement of sectoral accounts, calculation of data on account balancing by sectors and corrective positions
 - Calculation of data on account balancing by sectors and corrective positions
- Improvement of methods for calculation of added value at a regional level
 - Improvement of calculation methods
- Preparation of data of gross domestic product at a quarterly basis for the series 2000-2007 according to the method of double indicators
 - Calculations of categories of gross domestic product and calculation of added value at a quarterly basis for 2000-2007:
- Improvement of the data quality in input-output tables to be submitted to Eurostat;
 - Improvement of methodological procedures in data balancing in the tables of supply and tables of use
 - Calculation of tables of supply and use by constant prices
- Maintenance of Euro-indicators and indicators of sustainable development
 - Analysis and integration of available data

- Development of health accounts
 - Analysis and preparation of available data for health accounts
- Implementation of NCA rev. 2 in the national accounts calculation system
 - Preparation of macroeconomic data according to NCA rev 2
- Implementation of the System of National Accounts (NAS) 2008
 - Preparation of an Action Plan for Implementation of the System of National Accounts SNA 2008)
- Preparations for implementation of the revised European System of Accounts (ESA) 1995
 - Analysis of data sources in accordance with the revised ESA 1995
 - Preparation of an Action Plan for implementation of the revised ESA 1995
 - Experimental calculation in accordance with the revised ESA 1995

3.3.1. PRICES

RETAIL PRICES

CURRENT SITUATION

Cost-of-living Index – There have been changes in the method of screening retail prices of agricultural products which, upon recommendation, not only in the national, but also in Harmonised Index of Consumer Prices HICP, started to be screened twice a month, in the first and the third week, with a view to mitigating possible changes of the prices in the current month. Calculation of the index of products which appear on the market in the current month has started for these products with a view to annulment of the impact of the agricultural products which do not appear in the current month. Ponders for HICP for 2005 have been prepared and they are based on data from the Sector for National Accounts. December of the previous year will be taken as a base period for HICP.

SHORT-TERM PRIORITIES

- Establishment of the methodology and calculation of HICP
 - Development of the national index towards HICP, experimental calculations for 2005, calculation of ponders and indices for 2006

3.3.2. STATISTICS OF BUSINESS CYCLE ANALYSIS PURPOSES

CURRENT SITUATION

In 2008 the following activities were carried out:

- Regular statistical research on construction permits on the territory of the Republic of Macedonia issued in accordance with the regulation Short-term Statistics STS and regular statistical research on new orders and revenues from sales in industry in accordance with the Regulation STS
- Pilot statistical research on use permits issued
- During 2008 ponders were elaborated (2005 base) and the indices of the prices of industrial producers were redone on a new base

SHORT-TERM PRIORITIES

- Providing of short-term statistical data in civil engineering through:
 - Establishment of a regular statistical research on issued permits for use
 - Preparation of instruments for carrying out a pilot research on prices of the costs of construction by construction positions
- Providing of short-term statistical data in industry through:
 - Experimental calculation of indices of new orders and revenues from sales in industry

MEDIUM-TERM PRIORITIES

- Providing of short-term statistical data in civil engineering through:
 - Carrying out statistical research on prices of the costs of construction by construction positions (pilot and regular)
- Providing of short-term statistical data in industry through:
 - Establishment of a base of new orders and revenues from sales in industry in accordance with the Regulation on STS (2010=100)
- Providing of relevant statistical data in accordance with the EU Regulation on PRODCOM
 - Regular reports of annual data on industrial production according to PRODCOM

3.4. BUSINESS STATISTICS

CURRENT SITUATION

Activities related to realisation of statistical researches in the field of industry, civil engineering, distribution trade, transport, hotels and restaurants in accordance with the SBS Regulation (Structural Business Statistics) (for large and medium businesses).

During 2008 the statistical researches in catering were harmonised in accordance with the directives and the national legislation regarding categorisation of accommodation capacities in cooperation with the Ministry of Economy.

The Census of Trade and Catering Facilities will ensure quality short-term and structural statistical data on retail trade. The Census was carried out in November 2008 in a traditional manner, by surveyors. Earlier were made intensive activities concerning preparation of census instruments and materials and training of all participants in the census activities.

SHORT-TERM PRIORITIES

- Providing of structural statistics in accordance with the EU Regulation on SBS Nos 58/97 and 295/08 through:
 - Carrying out regular researches for structural statistics in industry, civil engineering, distribution trade, transport and catering for small and micro businesses and services;
- Providing of short-term statistical data in energy through:
 - Carrying out a regular statistical research on the structure of the prices of the natural gas and electrical energy in households and industry
- Providing of relevant statistical data in the field of energy, from user aspect, through:
 - Preparation of publication on energy balances (1990-2006)
- Providing of short-term statistical data in transport through:
 - Introduction of statistical research on parking places in accordance with the Transport Methodology
- Providing of short-term and structural data in wholesale and retail trade through:
 - Preparation of a publication of the Census of capacities in retail trade and catering capacities and accommodation facilities
 - Revision and harmonisation of statistics for monthly monitoring of distribution trade in accordance with STS and SBS

MEDIUM-TERM PRIORITIES

- Providing of structural statistics in accordance with EU Regulation on SBS Nos 58/97 and 295/08
 - Carrying out a regular research on structural statistics in financial institutions
- Providing of short-term statistical data in tourism and catering through:
 - Introduction of variables of net-utilisation of catering capacities
- Providing of short-term statistical data in energy through
- Continuous harmonisation of statistics in energy with EU regulations
- Providing of short-term statistical data in transport through:
 - Evaluation of quality and further harmonisation of statistics of cargo transport with relevant EU Regulations
 - Harmonisation of passenger mobility with EU Regulations
- Providing of short-term and structural statistical data in wholesale and retail trade through:
 - Initial publishing of series of data of distribution trade
 - Delivery of short-term statistical data of distribution trade through SDMX (Statistical Data and Metadata Exchange) format to Eurostat

3.5. AGRICULTURAL STATISTICS

CURRENT SITUATION

The State Statistical Office conducted the Agriculture Census 2007 providing data on agricultural and arable lands, number of cattle, agricultural technical measures, mechanisation and equipment, facilities in the economy, forestry, fishery and labour. In the first quarter of 2008 all planned data from the conducted Agricultural Census 2007 were published.

In 2008 the sample of implementation of the Survey on Cattle in Individual Sector was redesigned. Two-phased stratified sample was prepared. The data from the Agricultural Census 2007 made the framework for the new redesigned sample for implementing the Survey of Cattle in the Individual Sector 2008 enabling accessibility of data at a regional level.

For the first time a set of data on lands and production of separate agricultural cultures by regions was also prepared in 2008.

SHORT-TERM PRIORITIES

- Providing of relevant data on support in decision-making concerning development of agricultural sector in the Republic of Macedonia through:
 - Development of methodological bases of statistical research in plant production based on a sample

- Providing of relevant data on agro monetary accounts in agriculture through:
 - Experimental calculations of economic accounts in agriculture by constant prices (to be continued in MEDIUM-TERM PRIORITIES)

MEDIUM-TERM PRIORITIES

- Providing of relevant data on support in decision-making concerning development of agricultural sector in the Republic of Macedonia
 - Preparation of the first structural research on farms and its implementation in the field
 - Carrying out statistical research in plant production based on a sample
 - Development of methodological bases of statistical research in forestry within the private sector and its implementation in the field
- Providing of relevant data on agro monetary accounts in agriculture
 - Preparation and publishing economic accounts in Agriculture by constant prices
 - Preparation of a set of data on regional accounts in agriculture

3.6. MONETARY, FINANCIAL, TRADE STATISTICS AND STATISTICS OF BALANCE OF PAYMENTS

CURRENT SITUATION

In 2008 as regards the further improvement and harmonisation with the international standards of statistics of balance of payments, the results of the conducted survey on private transfers were analysed in details. Although the results obtained provide for an improved basis for analysis and understanding of the size and effects of the private transfers, they have not been currently used for revision of the existing data and methodology of the private transfers yet, since it is the first research of this type. It is planned that in the forthcoming period another survey on private transfers (which would improve the scope and quality of data collected) is conducted with a view to verifying of the results obtained and their application in the official statistics of the balance of payments.

The Ministry of Finance has implemented a part of the methodology of the Manual on Governmental Statistics of the International Monetary Fund (GFS 2001) in drafting financial reports on attained revenues and effectuated expenditures of the Budget of the Republic of Macedonia. The financial reports have been prepared on cash basis and have been consolidated by including also data of the local government. Activities on finalisation of the financial reports 2005, 2006 and 2007 and their publication in the Government Finance Statistics Yearbook are ongoing. The Ministry of Finance also has an active cooperation with the State Statistical Office in the implementation of the methodology of the European System Accounts (ESA 95).

For purpose of further automatisation of method of drafting and dissemination of data in monetary statistics, in 2008 the standard presentations of the balance of the National Bank of the Republic of Macedonia, banks, saving houses and consolidated balance of depository institutions were automatised. At the same time activities related to preparation of new application resolutions have been undertaken in accordance with the new account plan of the banks.

As concerns the development of the statistics of financial accounts based on available data, simple aggregated forms of matrices of money flows in economy have been made.

As regards the activities related to transfer from hard copy to electronic delivery of data, several banks started electronic money transfers abroad.

The statistics on foreign trade is completely harmonised with the European regulations concerning EXTRASTAT.

SHORT-TERM PRIORITIES

- Publishing financial reports in *Government Finance Statistics Yearbook*
- Preparation of an integrated set of procedures with a view to linking GFS 2001 methodology and ESA 95
- Adapting and linking the governmental statistics with the new accounting system
- Preparation of reports on currency reserves in accordance with the manual and recommendations of IMF (Data Template on International Reserves/Foreign Currency Liquidity)
- Promotion of direct investments statistics
- Further development of the financial statistics

MEDIUM-TERM PRIORITIES

- Providing of short-term statistical data in the field of foreign trade through:
 - Pilot research on real export-import prices
 - Analysis of the results obtained from the pilot research on real export-import prices and preparation of regular research 2012

- The Ministry of Finance of the Republic of Macedonia plans a full implementation of the Eurostat methodology, that is, the European System of Accounts (ESA 95) in designing the financial statistics.
- The National Bank of the Republic of Macedonia will ensure an appropriate level of desegregation by countries, currencies and sectors, an appropriate division of financial instruments as well as further improvement of the data, applied methodology and data sources.
- The National Bank of the Republic of Macedonia will do reports on currency reserves in accordance with the manual and recommendations of IMF (Data Template on International Reserves/Foreign Currency Liquidity)
- Improvement of methodology of estimation of private transfers in the balance of payments

FOREIGN AID

In the period 2009-2011 the Office will undertake activities financed by several projects:

- The National Program IPA 2007 – Project of support of SSO in implementation of Acquis (to begin in 2009)
- Regional Statistics Program IPA 2007 (2008-2010)
- Regional Statistics Program IPA 2008 (to begin in 2010)
- The National Project Macedonian-Swedish Statistics Partnership financed by SIDA 2009-2011, covering agricultural statistics, environment statistics, PC Axis tools and metadata

The National Program IPA 2009, Project of support of SSO in harmonisation with Acquis. The project fiche is being prepared and the implementation process will take place in the period 2011-2013.

3.19 SOCIAL POLICY AND EMPLOYMENT

3.19.1 LABOUR LAW

CURRENT SITUATION

The legal framework in the area of labour law is being improved so as to develop the functionalities of the labour market and fulfil the legislative requirements of the European Union.

The twinning project "Review of the National Labour Legislation" that started in June 2008 aims at building the capacity of the Ministry of Labour and Social Policy for harmonisation of labour legislation with the EU legislation and the best EU practices in this area. The Project analyses and assesses the compliance of Macedonian labour legislation with the EU Directives by preparing the relevant tables of concordance for over 40 labour-related directives, so as to provide a detailed presentation of the level of harmonisation of the national with the EU legislation and to identify the further steps necessary for transposing the *acquis*.

Workshops were held for familiarising with the EU *directives*, their contents and structure, in the following areas: "*working conditions, informing and consulting employees*", "*non-discrimination and equal treatment*" and "*occupational health and safety*". In addition to the employees of the Ministry of Labour and Social Policy, representatives from other institutions involved in this process of harmonisation of the labour legislation and representatives of the social partners (organisations of workers and employers) also took active participation. The preparation of the individual tables of concordance is underway.

In August 2008, the *Law on Amending the Law on Labour Relations* was adopted (Official Gazette of the Republic of Macedonia, No. 106/2008). The purpose of the amendments is to improve the business environment, increase the labour market flexibility and facilitate and simplify the administrative procedures for the employers. The amendments provide for: possibility for electronic registration and deregistration of workers, electronic exchange of data between the Employment Agency of the Republic of Macedonia and the social insurance agencies, increasing the maximum duration of the employment contract for a determined period of time from four to five years, etc. The amendments also incorporate into the Law the recommendations of the European Commission on removal of the upper limit of sanctions involving payment of compensation in cases of discrimination.

One of the activities that were carried out in 2008, so as to strengthen the administrative capacity in the area of labour and employment, is the analysis of the structure, the organisational setting, the human resources potential and the need for capacity building of the Sector for Labour under the Ministry of Labour and Social Policy. Based on the results of this analysis, changes were made to the organisational structure to the Sector for Labour: the Unit for Labour Relations and Employment was split in two units, the Unit for Labour and the Unit for Labour Market, with clearly defined tasks and responsibilities.

Concurrently, continuous efforts are being put into strengthening the human resources by way of training and employment of new expert staff in the Sector. The employment procedure for 3 employees in the Sector for Labour is underway, 2 in the Unit for Labour and 1 in the Unit for Labour Market.

In the course of 2008, the supervision over the enforcement of the labour legislation was evidently strengthened and the number of inspections was significantly increased compared to the previous year. Thus, in the course of 2008 (January-December) the State Labour Inspectorate conducted 40,576 inspections regarding the application of the labour legislation, which represents 44% increase compared to the number of inspections conducted in 2007.

These inspections were particularly focusing on discovering persons that were working illegally, without having established an employment relationship with the employer as provided by law, as one of the measures for fighting grey economy and reducing the number of people working in the informal sector. In the realisation of these activities, SLI cooperates and exchanges information with other organs such as the Employment Agency, the Centres for Social Work, etc.

SHORT-TERM PRIORITIES

As concerns ongoing activities for harmonisation of the national labour legislation with the European labour legislation, it is planned to finish the tables of concordance for directives governing labour law by the end of the first quarter of 2009, with the technical assistance provided by the Twinning Project "*Review of the National Labour Legislation*". Covered directives govern the areas of "*working conditions, informing and consulting employees*", "*non-discrimination and equal treatment*" and "*occupational health and safety*".

Under the scope of these activities, tables of concordance will be prepared for the following EU Directives:

Informing and Consulting Employees:

COLLECTIVE REDUNDANCES

- Council Directive 98/59/EC of 20 July 1998 on the approximation of the laws of the Member States relating to collective redundancies (*this Directive is a codified version of Directives 75/129/EEC and 92/56/EEC*)

EUROPEAN WORKS COUNCILS

- Council Directive 2006/109/EC of 20 November 2006, adapting Directive 94/45/EC on the establishment of a European Works Council or a procedure in Community-scale undertakings and Community-scale groups of undertakings for the purposes of informing and consulting employees, by reason of accession of Bulgaria and Romania
- Council Directive 94/45/EC of 22 September 1994 on the establishment of a European Works Council or a procedure in Community-scale undertakings and Community-scale groups of undertakings for the purposes of informing and consulting employees
- Council Directive 97/74/EC of 15 December 1997 extending, to the United Kingdom of Great Britain and Northern Ireland, Directive 94/45/EC on the establishment of a European Works Council or a procedure in Community-scale undertakings and Community-scale groups of undertakings for the purposes of informing and consulting employees

STATUTE FOR A EUROPEAN COMPANY

- Council Directive 2001/86/EC of 8 October 2001 supplementing the Statute for a European company with regard to the involvement of employees

EUROPEAN COOPERATIVE SOCIETY (SCE)

- Council Directive 2003/72/EC of 22 July 2003 supplementing the Statute for a European Cooperative Society with regard to the involvement of employees

INFORMING AND CONSULTING EMPLOYEES

- Directive 2002/14/EC of the European Parliament and of the Council of 11 March 2002 establishing a general framework for informing and consulting employees in the European Community

TRANSFER OF UNDERTAKINGS

- Council Directive 2001/23/EC of 12 March 2001 on the approximation of the laws of the Member States relating to the safeguarding of employees' rights in the event of transfers of undertakings, businesses or parts of undertakings or businesses. (*this Directive is a codified version of Directives 77/187/EC and 98/50/EC*)

Working conditions

BANKRUPTCY OF THE EMPLOYER

- Council Directive 80/987/EEC of 20 October 1980 on the approximation of the laws of the Member States relating to the protection of employees in the event of the insolvency of their employer
- Directive 2002/74/EC of the European Parliament and of the Council of 23 September 2002 amending Council Directive 80/987/EEC on the approximation of the laws of the Member States relating to the protection of employees in the event of the insolvency of their employer

FIXED-TERM WORK

- Council Directive 1999/70/EC of 28 June 1999 concerning the framework agreement on fixed-term work concluded by ETUC, UNICE and CEEP.

OCCUPATIONAL HEALTH AND SAFETY WITH A FIXED-TERM EMPLOYMENT OR A TEMPORARY EMPLOYMENT

- Council Directive 91/383/EEC of 25 June 1991 supplementing the measures to encourage improvements in the safety and health at work of workers with a fixed- duration employment relationship or a temporary employment relationship

INFORMING EMPLOYEES OF TERMS OF EMPLOYMENT

- Council Directive 91/533/EEC of 14 October 1991 on an employer's obligation to inform employees of the conditions applicable to the contract or employment relationship

PART-TIME WORK

- Council Directive 97/81/EC of 15 December 1997 concerning the Framework Agreement on part-time work concluded by UNICE, CEEP and the ETUC
- Council Directive 98/23/EC of 7 April 1998 on the extension of Directive 97/81/EC on the framework agreement on part-time work concluded by UNICE, CEEP and the ETUC to the United Kingdom of Great Britain and Northern Ireland

POSTING OF WORKERS

- Directive 96/71/EC of the European Parliament and of the Council of 16 December 1996 concerning the posting of workers in the framework of the provision of services.

WORKING TIME

- Directive 2003/88/EC of the European Parliament and of the Council of November 2 concerning certain aspects of the organisation of working time
- Council Directive 93/104/EC of 23 November 1993 concerning certain aspects of the organisation of working time

- Council Directive 1999/63/EC of 21 June 1999 concerning the Agreement on the organisation of working time of seafarers concluded by the European Community Shipowners' Association (ECSA) and the Federation of Transport Workers' Unions in the European Union (FST)
- Directive 2000/34/EC of the European Parliament and of the Council of 22 June 2000 amending Council Directive 93/104/EC concerning certain aspects of the organisation of working time to cover sectors and activities excluded from that Directive
- Council Directive 2000/79/EC of 27 November 2000 concerning the European Agreement on the Organisation of Working Time of Mobile Workers in Civil Aviation concluded by the Association of European Airlines (AEA), the European Transport Workers' Federation (ETF), the European Cockpit Association (ECA), the European Regions Airline Association (ERA) and the International Air Carrier Association (IACA)

YOUNG PEOPLE AT WORK

- Council Directive 94/33/EC of 22 June 1994 on the protection of young people at work

While preparing the tables of concordance, analysis will be performed of the existing provisions of the Law on Labour Relations, the Law on Employment and Insurance in Case of Unemployment, the Law on Temporary Employment Agencies and the Law on Equal Opportunities for Women and Man, on the basis of which a plan for transposing of the directives will be prepared. In line with the transposition plan, amendments to the labour legislation will be prepared, in compliance with the analysis and the set priorities.

In the course of 2009, after completion of the necessary consultations and compliance of the pertinent institutions, amendments to the Law on Employment and Insurance in Case of Unemployment will be drafted to separate the right to health insurance from the status of unemployed. Thus, conditions will be created for improving the administrative records of unemployed persons and for separating unemployed persons who are actively seeking work from those registered with the Employment Agency exclusively for the purpose of obtaining the right to health insurance. This will, on the other hand, enable the Employment Agency of the Republic of Macedonia to pay full attention to, and focus on, the problem of unemployment, i.e. to focus on assistance and support to the persons who are genuinely searching for work. Considering the complexity of this issue, the relevant institutions are currently undergoing a process of harmonisation and negotiations to find the most appropriate administrative and legal solution and put it into practice.

In compliance with the provisions of the Law on Mediation in Labour Disputes, a Council on Mediation in Labour Disputes will be established, as an expert body in charge of matters pertaining to mediation in collective and individual labour disputes, selection and professional development of mediators and arbiters, etc.

In line with the further building of the institutional capacity of the Ministry of Labour and Social Policy in the area of labour law, a number of trainings and seminars will be delivered to develop the knowledge base and the skills of civil servants as concerns European legislation and positive experiences and practices in preparation, harmonisation and practical implementation of the labour legislation. These capacity building activities will be realised with the support of ongoing projects such as the Twinning Project "*Review of the National Labour Legislation*" and the CARDS project "*Employment Policies – Phase 3*", but also through other additional trainings and seminars organised in cooperation with international organisations such as ILO and USAID, under the programmes and instruments of the EU technical assistance, with transfer of know-how and exchange of experiences through bilateral cooperation programmes with ministries of other European countries, etc.

Furthermore, the capacity of the Ministry of Labour and Social Policy for labour-related matters will additionally be strengthened in the forthcoming period by employment of new expert staff. In the Sector for Labour, in 2009, expert staff will be employed, of whom several employees will be assigned to work on labour legislation issues and approximation of labour law.

At the same time, attention will be paid to appropriate and consistent application and enforcement of the labour legislation, supported with further capacity building of the State Labour Inspectorate, organisation of labour law-related trainings for the inspectors, increasing their efficiency and number of inspectors and increasing the number of inspection controls. In addition, attention will be paid to improving the equipment of the Inspectorate by procuring vehicles necessary for the inspection controls, as well as IT and other equipment.

MEDIUM-TERM PRIORITIES

The process of harmonisation of the national labour law with the European law will continue in compliance with the prepared plan for approximation to the *acquis*, amendments will be adopted to the existing laws and, if necessary, new laws will be adopted to govern this area.

The efforts for capacity building of the expert staff working on such matters, on formulating legislation and on enforcement thereof, will actively continue.

The capacity building of the Ministry of Labour and Social Policy and of the State Labour Inspectorate will continue through defining the specific needs of the employees concerning labour law implementation and knowledge of the European practices and experience in this area.

FOREIGN SUPPORT

The CARDS Twinning Project for harmonisation of the national legislation with the European Union labour law began in June 2008 and will continue for 15 months, until August 2009. The project is being implemented in partnership with the Ministry of Labour, Social Policy and Family of the Republic of Slovakia. The main goal of the project is to provide support for capacity building in the Republic of Macedonia as concerns revision, harmonisation and enforcement of the labour legislation in compliance with the pertinent EU legislation and best practices.

3.19.2 OCCUPATIONAL HEALTH AND SAFETY CURRENT SITUATION

In the course of 2008, in compliance with the defined plan and dynamic, activities were implemented pertaining to harmonisation of the national legislation in the field of occupational health and safety and transposing of the relevant directives of the European Community.

In the course of this year, regulations were adopted on transposing the following directives:

- Directive 2003/10/EC of the European Parliament and of the Council of 6 February 2003 on the minimum health and safety requirements regarding the exposure of workers to the risks arising from physical agents (noise), transposed in the Regulation on the Occupational Health and Safety Requirements Regarding Exposure of Workers to Risks Arising from Noise (Official Gazette of the Republic of Macedonia, no.21/2008).
- Directive 2002/44/EC of the European Parliament and of the Council of 25 June 2002 on the minimum health and safety requirements regarding the exposure of workers to the risks arising from physical agents (vibration), transposed in the Regulation on the Occupational Health and Safety Requirements Regarding Exposure of Workers to Risks Arising from Mechanical Vibration (Official Gazette of the Republic of Macedonia, no.26/2008).
- Council Directive 92/57/EEC of 24 June 1992 on the implementation of minimum safety and health requirements at temporary or mobile construction sites, transposed in the Regulation on the Occupational Health and Safety Requirements regarding exposure of Workers to Risks at Temporary or Mobile Construction Sites (Official Gazette of the Republic of Macedonia, no.105/2008).
- Council Directive 89/654/EEC of 30 November 1989 concerning the minimum safety and health requirements for the workplace, transposed in the Regulation on the Minimum Occupational Health and Safety Requirements for the Workplace of Workers (Official Gazette of the Republic of Macedonia, no.154/2008).

In the course of 2008, the Strategy for Modernisation of the State Labour Inspectorate and the relevant implementation plan were adopted. The Strategy for Modernisation of the State Labour Inspectorate was prepared in consultations with the organisations of the social partners and was adopted on a tripartite workshop held in April 2008, attended by SLI experts, the Ministry of Labour and Social Policy, representatives of the workers and employers organisations and by international experts in this area. The purpose of the Strategy and the Implementation Plan is to streamline all Inspectorate activities and define the goals to be achieved through implementation of particular activities by the managerial staff and the field inspectors.

One of the activities, resulting from the analysis that was conducted in the course of developing the Strategy, is clear separation between the policy-making process, i.e. drafting of laws and regulations, and their application, i.e. the inspection control. To that end, with the document on jobs systematisation from 2008, a new Sector for Standardisation of Occupational Health and Safety was established, with two units: Unit for Standards and Unit for Cooperation with National and International Institutions and Organisations for Occupational Health and Safety. Engaging staff, putting the sector into function and building its capacity is one of the priorities in the forthcoming period.

As concerns building the capacity for transposition of the *acquis*, Republic of Macedonia is exchanging related experiences under the bilateral cooperation with the Republic of France.

In October 2008, representatives of the MLSP and SLI attended a workshop where they discussed the various aspects of the transposition of the *acquis* in the national legislation with the representatives from the European Commission (DG EMPL - Directorate F/4).

The Republic Institute for Health Protection organised and held two workshops on "Assessing the Risk at the Working Position", attended by 20 labour inspectors.

In 2008, a number of promotion activities were undertaken to familiarise the concerned entities with the existing legislation and its application. Regional seminars were held in cooperation with the organisation of employers so as to familiarise employers with the novelties in the occupational health and safety legislation, with their obligations and with the measures to be taken.

In addition, higher SLI officials delivered training for the representatives of the construction workers trade union on the application of the occupational health and safety legislation, with focus on the newly adopted Regulation on the Minimum Requirements for Health and Safety at Work on Temporary and Mobile Construction Sites.

In the premises of the Confederation of Trade Unions of RM, SLI representatives made a presentation of inspection control of the application of occupational health and safety legislation. The presentation was attended by the presidents and representatives of all branch trade unions. SLI representatives made three presentations: of inspection control pertaining to occupational health and safety, of inspection control pertaining to labour relations, and of the laws and standards governing occupational health and safety. Over 500 participants, primarily lawyers from the private sector, attended these presentations.

In the course of 2008, the control over the application of the occupational health and safety legislation was also strengthened through the evident increase of inspection controls performed and the number of decisions made for elimination of the identified defects and violations.

Thus, in the course of 2008 (January-December) the State Labour Inspectorate conducted 14,924 inspection supervision controls of the application of the occupational health and safety legislation, which represents an increase of up to 55.2% compared to the same period in 2007. 4,843 decisions were adopted for elimination of the identified defects in the process of operation (increase of 82% compared to the previous year). In this period, a total of 317 on-site inspections were made involving injury at the workplace, of which 12 were for death cases, 6 less than the previous year.

SHORT-TERM PRIORITIES

The process of harmonisation of the national legislation with the Directives of the European Community will continue to be a main priority in the forthcoming period.

In the course of 2009, four separate occupational health and safety regulations will be drafted, thus transposing the following Directives of the European Community:

- Council Directive 83/477/EEC of 19 September 1983 on the protection of workers from the risks related to exposure to asbestos at work (second individual Directive within the meaning of Article 8 of Directive 80/1107/EEC); Council Directive 91/382/EEC of 25 June 1991 amending Directive 83/477/EEC; and Directive 2003/18/EC of the European Parliament and of the Council of 27 March 2003 amending Council Directive 83/477/EEC.
- Directive 1999/92/EC of the European Parliament and of the Council of 16 December 1999 on minimum requirements for improving the safety and health protection of workers potentially at risk from explosive atmospheres (15th individual Directive within the meaning of Article 16(1) of Directive 89/391/EEC).
- Directive 2004/40/EC of the European Parliament and of the Council of 29 April 2004 on the minimum health and safety requirements regarding the exposure of workers to the risks arising from physical agents (electromagnetic fields) (18th individual Directive within the meaning of Article 16(1) of Directive 89/391/EEC).
- Commission Directive 91/322/EEC of 29 May 1991 on establishing indicative limit values by implementing Council Directive 80/1107/EEC on the protection of workers from the risks related to exposure to chemical, physical and biological agents at work, Commission Directive 2000/39/EC of 8 June 2000 establishing a first list of indicative occupational exposure limit values in implementation of Council Directive 98/24/EC on the protection of the health and safety of workers from the risks related to chemical agents at work.

It is anticipated that, in the course of the first half of 2009, the Council for Occupational Health and Safety will be established, in compliance with the provisions of the Law on Occupational Health and Safety and will start operation as a government advisory expert body for occupational health and safety related matters.

Furthermore, in the course of this year, activities will be implemented for continuous building of the administrative capacity necessary for consistent application of the occupational health and safety legislation. To that end, various activities will be implemented for building the capacity and increasing the knowledge base and expertise of the inspectors in the State Labour Inspectorate.

Further activities for building the capacity of the State Labour Inspectorate will be taken in 2009, in terms of increasing the number of inspectors, increasing their efficiency, increasing the number of inspection controls, and improving the equipment of the Inspectorate by procuring vehicles necessary for the inspection controls, IT and other equipment.

Equally important is the active involvement of the occupational health and safety inspectors in the activities of the ongoing Twinning Project for Harmonisation of the National Labour Law with the EU Acquis, which will continue in 2009 as well, and will encompass study and analysis of a number of existing occupational health and safety directives and the necessary steps to be taken for their transposition in the national legislation.

Also, activities will be undertaken to strengthen the cooperation with the social partners and to promote the occupational health and safety legislation and its application.

MEDIUM-TERM PRIORITIES

Medium-term, the process of harmonisation with the *acquis* in the area of occupational health and safety will continue with the drafting of the regulations through which the following directives will be transposed:

- Council Directive 98/24/EC of 7 April 1998 on the protection of the health and safety of workers from the risks related to chemical agents at work (14th individual Directive within the meaning of Article 16(1) of Directive 89/391/EEC).
- Directive 2000/54/EC of the European Parliament and of the Council of 18 September 2000 on the protection of workers from risks related to exposure to biological agents at work (7th individual directive within the meaning of Article 16(1) of Directive 89/391/EEC).
- Council Directive 92/91/EEC of 3 November 1992 concerning the minimum requirements for improving the safety and health protection of workers in the mineral-extracting industries through drilling (11th individual Directive within the meaning of Article 16 (1) of Directive 89/391/EEC).
- Directive 2000/54/EC of the European Parliament and of the Council of 18 September 2000 on the protection of workers from the risks related to exposure to carcinogens or mutagens at work (6th individual Directive within the meaning of Article 16(1) of Council Directive 89/391/EEC).
- Council Directive 92/104/EEC of 3 December 1992 on the minimum requirements for improving the safety and health protection of workers in surface and underground mineral-extracting industries (12th individual Directive within the meaning of Article 16 (1) of Directive 89/391/EEC).
- Council Directive 92/29/EEC of 31 March 1992 on the minimum safety and health requirements for improved medical treatment on board vessels.
- Council Directive 93/103/EC of 23 November 1993 concerning the minimum safety and health requirements for work on board fishing vessels (13th individual Directive within the meaning of Article 16 (1) of Directive 89/391/EEC).

For defining the strategic directions of the future development of the occupational health and safety, adoption of a *National Programme for Occupational Health and Safety* is anticipated, to be followed by development of an Action Plan for putting the Programme into practice.

The activities for further administrative capacity building of the State Labour Inspectorate will continue to be planned and realised, with better and improved application of the existing occupational health and safety legislation and active involvement of the social partners in all phases of the drafting of the legislation and its on-site application.

FOREIGN SUPPORT

The State Labour Inspectorate has finished the first phase of a capacity building project, financed with a Dutch grant, under which a Strategy for Modernisation and Improving the SLI Operation was developed. The second phase of the project is expected to be implemented in the course of 2009.

The implementation of the Programme for Cooperation signed on 12 July 2007 between GIP International (Ministry of Labour, Social Relations and Solidarity of the Republic of France) and the Ministry of Labour and Social Policy of the Republic of Macedonia is expected to continue in 2009. Under this programme, France is providing technical assistance for transposition and application of the European legislation in the area of occupational health and safety.

In addition, the implementation of the Twinning Project "Review of the National Labour Legislation" is continuing. It is being implemented in partnership between the Ministry of Labour and Social Policy of the Republic of Macedonia and the Ministry of Labour, Social Affairs and Family of the Republic of Slovakia, covering occupational health and safety directives.

3.19.3 SOCIAL DIALOGUE

CURRENT SITUATION

Functioning, development and enhancing of the social dialogue was one of the efforts of the Government of the Republic of Macedonia in 2008. In the course of 2008, the Economic and Social Council (ESC), as a tripartite body and a forum for the tripartite social dialogue, discussed a number of important economic and social issues, such as: the initiative of the Macedonian Trade Union Confederation for establishing a minimum salary in the Republic of Macedonia, the Working Programme of the Economic and Social Council for 2008, and the proposed National Programme for Adoption of the *Acquis* (NPAA – revision 2008). ESC also

reviewed the "Stop for the Grey Economy Employment" report, discussed the possibility for initiating a procedure for ratification of the International Labour Organisation Convention no. 94 governing labour clauses in public contracts, discussed information relating to minimum wages, reviewed the initiative for introducing a gross-salary payment system, and reviewed the information on the implementation of the Action Plan for reducing the grey economy in the past period. In June 2008, as part of the international activities, the Economic and Social Council became a member of the International Organisation of Economic and Social Councils and similar institutions. In order to improve transparency and promotion, and to better inform the public of the operation and functioning of the Economic and Social Council, a new web page of the Council is being developed.

As concerns activities for capacity building of the social partners, various activities were organised in 2008 (seminars, workshops, conferences) so as to stimulate active participation and contribution in the social dialogue. All major organisations of the social partners, including those outside of ESC, were involved in these activities.

In April 2008, the Ministry of Labour and Social Policy, in cooperation with the International Labour Organisation (ILO), organised a tripartite seminar on the *"Industrial Relations in the Republic of Macedonia vis-à-vis International Labour Standards: Facing the Challenges"*. In addition to the ILO experts, the seminar was attended by representatives of the social partners, the Ministry of Labour and Social Policy and other ministries. The main goals of this seminar were to familiarise the social partners with the international labour standards vis-à-vis industrial relations, as well as with issues related to the freedom of organisation, collective bargaining and representation, and to contribute to promotion of the social dialogue.

In the course of the same month, MLSP representatives and representatives of the social partners participated in a seminar devoted to the social dialogue, where a representative from the Belgian Ministry of Labour presented the Belgium model of social partnership, with focus on determining representativeness, collective bargaining and promotion of collective bargaining, mediation in labour disputes and the issues of strike and lockout.

Considering the importance of the social dialogue at local level, activities for establishing a tripartite social dialogue at local level have also been taken. Three regional conferences were organised to promote the idea of establishing the tripartite social dialogue at local level, where experts from Croatia and USA presented their experiences related to the relevance and the functioning of the social dialogue at local level.

One of the most important activities that directly and actively involves social partners is the implementation of the Twinning Project for Harmonisation of the National Labour Legislation with the EU Acquis. Representatives of the social partners are members in all working groups that were established in the course of the implementation of this Project (working conditions, informing and consulting of employees, equal treatment and antidiscrimination, occupational health and safety). Hence, they have an opportunity to learn directly and in detail about EU legislation and to participate actively in the process of analysing the level of compliance of the Macedonian legislation and its harmonisation with the European labour legislation.

Equally important is the active involvement of the social partners in the development of the National Employment Action Plan 2009-2010 and of the Local Employment Action Plans. Social partners were involved in capacity building trainings related to the labour market and employment, as well as in trainings on labour market information, monitoring and evaluation of the labour market active measures, and such like.

In 2008, under the bilateral social dialogue, the General Collective Agreement for the Public Sector was signed. It governs the rights and obligations of employees and employers in the public sector of the Republic of Macedonia, the terms and conditions of employment, the manner of obtaining the rights and obligations and the procedures for resolution of disputes.

The following branch collective agreements were signed:

- Collective agreement for the catering industry in the Republic of Macedonia (Official Gazette of Republic of Macedonia, No. 2/2008),
- Collective agreement for the leather and footwear industry (Official Gazette of Republic of Macedonia, No. 21/2008)
- Collective agreement for the chemical industry (Official Gazette of Republic of Macedonia, No. 52/2008)

Two new trade unions were registered, the Independent Union of Local Government Employees of the Republic of Macedonia and the Trade Union of the Administration and State Administration Employees, as well as one new association of employers – National Federation of Temporary Employment Agencies. Hence, currently there are 44 registered trade unions and 4 registered organisations of employers.

SHORT-TERM PRIORITIES

The amendments to the Law on Labour Relations, that would resolve the issue of representativeness of the social partners, will allow for overcoming of this identified deficiency that significantly influenced the functioning of the social dialogue. The modification of the legal framework and the formulation of clear, precise and objective criteria for representativeness of the social partners will contribute to a more efficient functioning of the social dialogue at all levels and will stimulate the bipartite social dialogue for putting the branch collective agreements in compliance with the general collective agreements. This will allow for inclusion of a number of relevant organisations of workers and employers in the operation of the Economic and Social Council. To that end, very important is the establishment of the *Commission for Establishing Representativeness*, composed of representatives of several institutions and representatives of the social partners, as observers. The *Commission for Establishing Representativeness* will evaluate representativeness of trade unions and associations of employers by applying the prescribed statutory criteria of representativeness. The social partners will have to provide evidence to the Commission that they meet the representativeness criteria, within three months after the adoption of the amendments to the Law on Labour Relations.

Furthermore, stronger promotion and fostering of the tripartite dialogue at local level and development of the bipartite social dialogue at company level is anticipated in the forthcoming period.

The legal framework for the functioning of the tripartite social dialogue at national and local level will be completed with the adoption of the new Agreement of the Social and Economic Council.

In order to provide more efficient support and better functioning of the social dialogue and the collective bargaining, additional staffing of the Ministry of Labour and Social Policy is anticipated in the forthcoming period.

Namely, 9 new persons are planned to be employed in the Sector for Labour in the course of 2009, 6 of which will be engaged in the units working on social dialogue and collective agreements issues.

Particular attention will be paid to organising education and promotion activities so as to increase awareness and build capacity for functioning of the social dialogue at all levels.

Workshops, seminars, training sessions, campaigns will be organised to build the capacity of the social partners to participate in the formulation of the employment policy and to address issues related to the functioning of the European social dialogue, and the social dialogue at level of branches and companies.

For the purpose of fostering social dialogue, establishment of tripartite social partnership bodies will be stimulated and discussions on issues of local relevance will be promoted.

MEDIUM-TERM PRIORITIES

One of the priorities for strengthening the social dialogue will be to ensure active participation of the social partners in the making and implementation of the economic and social policies and measures, in the elaboration, drafting and application of the legislation, in the working groups and the Economic and Social Council.

The tripartite social dialogue at national and local level and the bipartite social dialogue will be further strengthened through training and seminars aiming at capacity building and raising the awareness of the social partners with regard to the importance of the collective bargaining, the exchange of information and the maintenance of the dialogue.

As concerns medium-term priorities, it is important to mention that the Operative Programme for Human Resources Development 2007-2013 ((IPA - Component 4) provides for financing of the activities for capacity building, for acquiring knowledge and skills and for exchange of experiences pertaining to the social dialogue at different levels and to the collective bargaining.

FOREIGN SUPPORT

In cooperation with the International Labour Organisation, the Ministry of Labour and Social Policy and the social partners have been involved in the project "Consolidation of the Legal and Institutional Bases of the Social Dialogue in the Western Balkans Countries and Moldavia", which started in March 2008 and aims at strengthening the tripartite social dialogue at national level, building the capacity of the social partners and organising training for arbitrators and mediators for mediation in labour disputes.

The 4th component of the CARDS Technical Assistance to Support Employment Policy – Phase III provides for capacity building of the social partners.

Under the Twinning Project for harmonisation of the national legislation with the European *Acquis*, the level of involvement of the social partners in the process of harmonisation of the labour legislation is high.

3.19.4 EMPLOYMENT POLICY AND THE EUROPEAN SOCIAL FUND

CURRENT SITUATION

Employment policy

The employment policy that is being implemented in the Republic of Macedonia aims at maintaining the trend of reducing the unemployment rate and increasing the employment rate.

In compliance with the National Employment Strategy for the period up to 2010 and the National Employment Action Plan 2006-2008, the determination of the Government of the Republic of Macedonia is to continuously increase the funds allocated for financing active employment measures, so as to extend the type and scope of these measures and thus improve the integration of unemployed persons on the labour market.

The Operative Plan for Active Employment Programmes and Measures 2008 was implemented in the course of 2008. As anticipated with the same, several types of active employment measures and policies were implemented targeting various target groups of unemployed persons. These included a self-employment programme for young people, women and long-term unemployed, programme for formalising and registration of already existing business, programme for supporting (through training, retraining and additional training, training in foreign languages and computer skills, pilot-training for skills demanded on the labour market, training for establishing a business), programme for subsidising employment of parentless children, single parents, persons with special needs and elderly workers (55-64 years of age) and internship programme as support for first employment for persons younger than 27 years of age.

The implementation of the new active employment measure "*Self-employment by crediting*" by extending credit under favourable conditions for self-employment of unemployed persons began in the course of 2008. Beneficiary of this measure may be any unemployed person listed as unemployed in the Employment Agency records for at least one year. Persons up to 27 years of age that are recipients of unemployment allowance, and persons over 55 years of age, are covered by this measure only if listed in the Agency's records of unemployed persons for at least 6 months. Additional stimulating funds are also provided under this measure for: unemployed persons due to redundancies, bankruptcy or liquidation, unemployed listed for over 3 years. This measure became very popular among the target groups of unemployed and its implementation is a success.

The National Employment Action Plan (NEAP) 2009-2010 was prepared with active participation of all stakeholders. The preparation of the NEAP began with a survey and assessment of the implemented activities and achieved results foreseen under NEAP 2006-2008.

Bearing in mind the "local dimension" when drafting the economic development plans and the plans for increasing employment, it was anticipated that particular attention will be paid to the preparation of the local employment action plans in accordance with the established practice of preparing national employment action plans, and to the pertinent European guidelines and experiences. In 2008, this approach was piloted with the preparation of Local Employment Action Plans for five selected municipalities (Bitola, Struga, Kumanovo, Stip with Karabinci, and Berovo with Pehcevo). The successful preparation of these action plans, considering the local conditions, needs and possibilities, requires cooperation among the relevant entities at local level, including the local government, the local employment centres, the social partners, the NGOs, the training providers and other stakeholders. As a result, 5 local action plans were developed in 2008.

The implementation of the CARDS Project "Employment Policies – Phase III" continued in 2008. This Project, which is being implemented over a period of 18 months, provides additional assistance, support and capacity building for the relevant institutions and stakeholders in the process of implementation, monitoring and evaluation of the employment policies, for further modernisation and improvement of the services and the manner of operation of the Employment Agency of the Republic of Macedonia and for capacity building for the social partners. A number of training sessions, seminars and workshops were organised for capacity building in the areas of creating employment policies, programmes and measures and for monitoring and assessment of achieved results and outcomes, as concerns their implementation.

In the course of 2008, particular attention was paid to establishing a functional system of monitoring and evaluation of the implementation of the National Employment Strategy and the Employment Action Plan, which will be in compliance with the European principles and experiences and will apply the EU employment indicators. Appropriate practical training was organised for the persons who will be directly involved in the monitoring and reporting the implementation of the employment policies and the main strategic documents in this area. The Employment Agency, with financial support from the European Union, procured IT equipment necessary for technical support, modernisation and improvement of the Agency functionalities and the network of local employment centres.

In 2008, for the purpose of strengthening the administrative capacity of the Sector for Labour within the MLSP, this Sector underwent appropriate changes in its organisational setting. Hence, the Unit for Labour Relations and Employment was split in two units: Unit for Labour and Unit for Labour Market. Such division of the Labour Sector was based on the analysis of its structure, organisational setting and needs for capacity building and is aiming at more efficient carrying out of its responsibilities in the area of labour and employment policies. Currently, the employment procedure for three employees in the Labour Sector is underway, of which one for the Unit for Labour Market.

Most of the activities in the course of 2008 were aiming at designing the Operational Structure for the implementation of the IPA Component IV on decentralised management.

The legal and institutional framework for establishing a decentralised system for the implementation of the Operational Programme for Human Resources Development was completed in compliance with the criteria of the European Accreditation Committee. The National IPA Coordinator, the Competent Accrediting Officer, the National Authorising Officer and the Audit Authority were appointed, the Operating Structure for Component IV (Sector for Central Financing and Contracting and the IPA Units in the Ministry of Labour and Social Policy and the Ministry of Education and Science) was defined, the IPA Coordinators for Component IV at the Ministry of Labour and Social Policy and the Ministry of Education and Science were assigned. Also, signed were the operating agreements for delegating authority to the two IPA coordinators for preparing and implementing the projects financed by the Operational Programme for Human Resources Development. The documents defining the organisational structure of the pertinent ministries were put in compliance with the guidelines of the Ministry of Finance and the principle of division of functionalities. Risk registers were established under the Operating Structure. Plan for staffing the pertinent ministries was developed. The internal procedures of the Operating Structure for public procurement, project monitoring, notification procedure for irregularities, assessment and risk management procedure, etc. were defined. All documentation necessary for submitting the application for accreditation of the Operating Structure of Component IV was completed. The servants in the IPA units of the pertinent ministries and in the Sector for Central Financing and Contracting were trained in all matters relevant to the implementation of IPA.

In the period August-December 2008, an independent audit mission was carried out to assess compliance with the European Commission requirements for establishing a decentralised system for implementation of the EU IPA assistance. In the Draft version of the Final Audit Report submitted in December 2008, auditors presented their opinion on the readiness of the Operating Structure for decentralised management of the IPA Component IV and provided recommendations for actions to be undertaken until authorisation for IPA management is conferred.

In 2008, two sessions of the informal Sectoral Committee for Monitoring Component IV were held.

The civil sector and the social partners selected their representatives to the committee in a transparent procedure and they would participate in the operation of this committee as voting members with 12 month-term of office.

The first Annual Report on the implementation of the Operational Programme for "Human Resources Development 2007-2013" was prepared and reviewed by the Sectoral Monitoring Committee. Furthermore, a Draft Annual Work Plan for the "Human Resources Development" component was prepared, as well as a separate plan for using the technical assistance of Priority 4 prior to accreditation of the Operating Structure.

SHORT-TERM PRIORITIES

Employment policy

Implementation of the policies, measures and activities defined in the National Employment Strategy 2010 and in the National Employment Action Plan 2009-2010, to be adopted at the beginning of 2009, will be a priority in the forthcoming period. To that end, an Operational Plan for Active Employment Policies and Measures 2009 was developed and fully implemented.

After the adoption of the NEAP 2009-2010 several regional meetings will be organised, so as to present the National Action Plan to the wide public and disseminate the priorities, measures and activities provided for in the NEAP.

The implementation of the measure "Self-employment with crediting" will continue in 2009 in order to improve the situation and reduce the level of unemployment of the most vulnerable categories of unemployed persons.

The planned programmes, measures and activities that will be realised for the purpose of expert education and training and adult education, related to the employment policies and the needs of the labour market, are shown in detail in Chapter 3.26 Education and Culture.

Bearing in mind the "local dimension" when drafting the economic development plans and the plans for increasing employment, it was anticipated that particular attention will be paid to the preparation of the local employment action plans in accordance with the established practice of preparing national employment action plans, and to the pertinent European guidelines and experiences. It is planned to continue the implementation of the activities for development of Local Employment Action Plans in six selected municipalities (Prilep, Krusevo, Sveti Nikole, Radovis, Kocani, Strumica) in the course of 2009. For the successful development of these action plans, appropriate training sessions are planned to be delivered for the units of local government, the local employment centres, the social partners, the NGOs and for other relevant entities.

Training sessions, seminars and other activities for increasing the knowledge and the skills of the expert personnel will also be organised this year, pursuant to the identified need for further significant building of the administrative capacity as concerns policies, their implementation and evaluation, and administration of programmes supported by the European Social Fund.

It is planned for the Sector for Labour to employ 9 persons in the course of 2009, 2 of which will work on employment policies.

As concerns implementation of employment policies, training sessions for the expert staff of the Employment Agency will be delivered to increase operation efficiency as well as to improve and modernise client service for employers and the unemployed.

The work on finalising the new Manual "Model of Services" will be completed. The Manual is for the employees of the Employment Agency and will describe and explain in detail all services offered by the Employment Agency to its clients, aiming to introduce an integrated, unified approach to provision of services in all employment centres countrywide.

For all employees in the Employment Agency of the Republic of Macedonia, training will be organised to address development and implementation of new active measures and forms of supporting employment and targeting different needs of the different categories of unemployed persons.

Training sessions explaining the policies, the network and the operating structure and every-day operation of the EURES (Network of European Employment Services) will be organised, as well as training sessions on preparation of projects for labour market to be financed under IPA as well as grant schemes management.

In addition, promotion activities will be taken such as development of brochures, flyers, web information etc. for the purpose of creating a closer relationship between the Employment Agency and its clients, for promotion of its services, presentation of the achieved results from its operation and for implementation of the labour market measures.

European Social Fund

The main priority in this area is to achieve efficient use of the pre-accession assistance under the IPA Component IV.

Therefore, the main commitment and priority shall be the need for continuous development of the established mechanisms for efficient and effective coordination and management of the Operational Programme (programming, implementation and monitoring of the Operational Programme).

Upon assignment of the management authority to the National IPA Structure and signing of the Financial Agreement for Component IV between the Government of the Republic of Macedonia and the European Commission, the implementation of the Operational Programme will commence with tender procedures and public calls for the first IPA projects. In the first quarter of 2009, a detailed working plan will be developed, whereas in the course of the first half of 2009 particular attention will be paid to the completion of the process of formulation of the first set of IPA projects, that will be initiated even before the accreditation by the European Commission. In addition, as concerns implementation and monitoring of the programme, after the signing of the Financial Agreement for Component IV, the first official constituting session of the Sectoral Committee for Monitoring Component IV will be held. Project selection criteria will be approved at this session.

In 2009, activities will be taken to familiarise the public, and in particular the potential beneficiaries, with the assistance to be provided through IPA. A multi-annual comprehensive Communication Action Plan for Component IV will also be prepared.

In the course of 2009, the Operational Programme will be revised so as to encompass all financial allocations for the period 2010-2012 provided for in the Multi-Annual Indicative Financial Framework.

For effective use of the pre-accession assistance, the building of the institutional and the administrative capacity to manage and absorb IPA will continue through:

- additional staffing of the IPA Units in the MLSP and MES in compliance with the plan for filling the working positions anticipated with the documents on organisational setting and structure.
- developing knowledge base and skills of the employees in the units, in compliance with the annual plan on training and operational results (training in programming, EU public procurement – PRAG, monitoring and assessment, deficiencies management, project cycle management)
- improvement of adopted internal procedures and rules based on the experiences from their practical implementation and auditors' recommendations.
- development of a database for management and monitoring of the projects and the Operational Programme as a whole.
- technical equipment of the IPA Units in the MLSP and MES for smooth implementation of the programme.

One part of the above described activities related to the preparations for implementation of the programme, as well as capacity building of the Operating Structure, will be implemented under Priority 4 – Technical Assistance, the use of which will begin even before the signing of the Financial Agreement. Some technical assistance activities will be realised through a twinning project. It is expected that the consultative process between the twinning partners and the harmonisation of the working plan for this project will

be completed before the signing of the Financial Agreement, after which the signing of the twinning agreement and its implementation will follow.

MEDIUM-TERM PRIORITIES

Employment policy

Funds raising and extending the coverage of target groups, monitoring implementation employment policy activities, evaluation of achieved results from implementing programmes and measures, employment of these results and assessments during the cycle of creation of programmes and measures and the development of local and national action plans and operational employment programmes remain as main priorities of medium-term in the employment policy. In the course of 2010, a separate document should be prepared on the main challenges of the labour market for the period after 2010.

The implementation of the "Self-employment by crediting" measure will continue in the period up to 2012, in compliance with the determination and the programme of the Government of the Republic of Macedonia.

The trainings for the employees of the Employment Agency of the Republic of Macedonia will continue so as to build their capacity for a more efficient performance of their duties, as will the activities for promotion of the employment policies and for information about the activities taken and the services available to the unemployed and the employers.

The capacity building activities for the relevant entities will continue in the areas of creating, implementation, monitoring and assessing the success of the employment policies through training sessions, seminars and workshops.

European Social Fund

Mid-term priority task of the Operating Structure is to provide efficient and effective implementation of the Operational Programme for Human Resources Development and monitoring of its implementation.

The first mid-term evaluation of the OP will also be conducted.

Mid-term, it is necessary to further build the institutional capacity for IPA management and absorption. To that end, the possibility for full performance of the functions of the Operating Structure by the pertinent ministries will be investigated. Preparatory activities will be taken, IPA units/sectors in the Ministry of Labour and Social Policy and the Ministry of Education and Science will be equipped with equipment and personnel so as to be able to fully and independently take over the function of the Operating Structure for the IPA Component IV (expected to happen after 2010).

FOREIGN SUPPORT

Employment policy

Underway is the implementation of the CARDS Technical Assistance to Support Employment Policies – Phase III, which is a continuation of the previous two projects and provides additional assistance, support and capacity building for the relevant institutions and stakeholders in the process of implementation, monitoring and evaluation of the employment policies, further modernisation and improvement of the services and the manner of operation of the Employment Agency of the Republic of Macedonia and capacity building for the social partners.

With financial support from a USAID project, the Employment Agency of the Republic of Macedonia had a software solution developed that allows private sector employers to register and deregister employees electronically, through a web portal. Electronic registration/deregistration is functional as of 1 December 2008.

European Social Fund

- Building the administrative and institutional capacity of the Operating Structure of Component IV for preparation, management, monitoring, evaluation and control of the activities anticipated with the OP will be supported with technical assistance under Priority 4 of the PO HRD. The Operating Structure prepared a Technical Assistance Plan (Priority 4) that will be harmonised with the European Commission in the first quarter of 2009. Consultations were made with the Delegation of the European Commission in the Republic of Macedonia for preparing a twinning project for further capacity building of the Operating Structure. For the preparation of certain projects, as well as for developing the internal procedures and processes for programming and implementation of the OP, technical assistance will be used under the First IPA Component (Assistance for Project Development and Institutional Building) to supplement the technical assistance under Component IV.
- Until the moment of accreditation, short-term training of employees in the MLSP, EARM, MF and other relevant institutions is being delivered in cooperation with foreign donors and organisations: ETF, UNDP, the CARDS Project "Capacity Building for Decentralised Management of the Assistance in the Republic of Macedonia", the CARDS Project "Support Employment Policies –Phase III". The development of the internal rules and procedures of the Operating Structure was also supported by the CARDS Project "Capacity Building for Decentralised Management of the Assistance in the Republic of Macedonia".

3.19.5 SOCIAL INCLUSION

CURRENT SITUATION

The preparations for participation of the Republic of Macedonia in the Open Method of Coordination by carrying out concrete activities aiming at full active inclusion of the pertinent institutions and the local government are underway, as well as the intensifying of the cooperation with the NGO sector.

To that end, a number of activities were undertaken (seminars, educative workshops, regional conferences, establishing an expert coordinative body and appropriate thematic working groups, analysis and establishing of the situation of different specific vulnerable groups) and resulted in the preparation of a final report titled *"On the Road to EU: The Contribution of the Civil Society in the Making of the Social Inclusion Policy in the Republic of Macedonia"*. The final report presents information on the factual condition of individual vulnerable groups (children, elderly persons, persons with special needs, minority groups, Roma population and health issues), defines priorities, and thus intensifies the cooperation between the civil sector and the local government and their active participation in identifying the conditions, the problems and the challenges and in the making the most appropriate policies and measures to fight poverty and social exclusion.

The *Strategy for Demographic Development 2008-2015* was adopted and a coordinative mechanism for monitoring realisation was established. The Strategy defines measures for reducing the differences on various grounds and for increasing the social cohesion for sustainable demographic development by stimulating birth and care of children, improving the conditions for family planning, improving the access to and the quality of education for the population in the rural and disadvantaged environments, increasing employment, improving quality of life in particular of the younger population, creating conditions for improving the status, quality of life and life expectancy of the elderly population, and improving the quality of life in underdeveloped regions. Therefore, amendments to the Law on Social Protection were adopted to introduce a new right to monetary allowance for mothers who have given birth and raised four or more children, who are unemployed and cannot obtain pension on other ground. Such mothers can obtain this right after they have reached 62 years of age. This measure aims at reducing the social risk and at higher social inclusion of families with many children. At the same time, the Law on Child Protection was amended by introducing new rules aiming at promotion of the family, increasing the birth rate in the Republic of Macedonia, further reduction of the regional disparities, sustainable territorial distribution, reducing the risk of extinguishing certain municipalities with negative birth rate and, at the same time, reducing the existing disparities and inequalities among the population so as to produce stronger social cohesion.

Pursuant to the adopted National Strategy for Demographic Development 2008-2015, certain amendments and revisions were made to the Law on Child Protection to introduce a new right to obtaining one-time financial assistance for a newborn first, second or third child born alive, in amount of 30% of the average salary paid in the Republic of Macedonia in the course of the previous year, whereby the previous financial threshold is terminated.

In addition, parental allowance was introduced for a second, third or forth child born alive in the municipalities where the birth rate is 2.1 promille for the purpose of revitalising certain municipalities that are facing the risk of being extinguished and have negative birth rate. The parental allowance for second live born child is payable monthly for a period of nine months, in amount of 30% of the average salary paid in the Republic of Macedonia in the course of the previous year.

The introduced right to parental allowance for third born child is payable monthly for a period of ten years, in amount of 50% of the average salary paid in the Republic of Macedonia in the course of the previous year. The parental allowance for fourth born child is payable monthly for a period of 15 years, in amount of 70% of the average salary paid in the Republic of Macedonia in the course of the previous year.

At the same time, if the mother gives birth to a fourth child while already receiving allowance for her third child, she will be entitled to a single parental allowance in amount of one average salary until the child reaches 18 years of age.

For the purpose of building the capacity for implementing the social protection policies, in the course of this year a number of educative workshops were organised for the expert staff in the centres for social work so that they can employ measures for assisting children and youth at risk, work with parents to build their capacity to address problematic behaviour of children at risk, and work on partner, parental and family relations. Seminars for motivating the community to expand the number of foster families were also held. Furthermore, training sessions were organised for the expert staff working in the day care centres for children and in the day care centres for drug-abusers.

Activities were undertaken to build Government capacity for fighting poverty and social exclusion so as to develop social policies that widely encompass participation of vulnerable groups and all other relevant actors in the creation of policies in this area and their implementation. At the organised consultative meetings and thematic workshops, issues related to identification of the needs of the vulnerable groups and the deficiencies of the current policies of social protection and social inclusion were discussed. The

development of two studies, national studies on persons with disabilities and on elderly persons in the Republic of Macedonia, and the related activities are underway.

Legislation governing *protection of victims of family violence* has been improved to provide the victims with an opportunity to independently initiate a court proceeding for pronouncing temporary protective measures, as well as with the opportunity for the associations of citizens to enforce a part of the measures for protection of the victims. Special protection of children – victims of human trafficking was introduced, by appointing a foster parent with defined responsibilities as concerns full protection of children who are victims of human trafficking.

In April 2008, the *National Strategy for Protection against Family Violence 2008-2011* was adopted. It identifies the priorities for improvement on the social system as concerns family violence and determines the further steps and coordinated measures and activities of the competent institutions in the cooperation with the civil sector, aiming at prevention and reduction of family violence and appropriate protection and support for the victims. In the course of the year, the realisation of concrete planned activities for implementation of the Strategy began. A National Coordinative Body for monitoring and assessing the implementation of the Strategy was established. A multi-sectoral coordinated approach for protecting victims of family violence was put in place by establishing an inter-sectoral working group for developing a *Unique Protocol for Action in Case of Family Violence* that will determine the detailed procedures for action for the various parties/entities involved in the cases of family violence. This working group consists of representatives of various institutions and entities such as the Ministry of Labour and Social Policy, the Ministry of Health, the Ministry of Interior and NGO representatives. As part of the same initiative, the following activities take place: establishment of psychological Counselling for victims of family violence in the public and civil sector; education of professional structures that work in this area. This is part of the project Prevention and elimination of family violence in Macedonia, financed by the Austrian Ministry of labour, social policy and consumer protection. This project is undertaken by civil organizations from Macedonia and Austria, in partnership with the Macedonian Ministry of labour and social policy.

Action Plan for Prevention and Combating Sexual Abuse of Children and Paedophilia is prepared. This document contains comprehensive measures and activities for prevention and protection, and for addressing this phenomenon. All pertinent institutions and the civil sector are involved in its implementation.

The existing legislation was enhanced so as to improve the position of persons with disabilities. A new Law on Organisations of People with Disabilities was adopted. It governs the status, scope of activities, financing and ownership of such organisations, established for the purpose of appropriate representation of persons with disabilities. The amendments and revisions to the Law on Employment of People with Disabilities defines in detail the establishment and registration of "protective enterprises", thus improving employment of people with disabilities and their inclusion in the labour market.

The National Strategy for Deinstitutionalisation in the system of social protection (2008-2018) was adopted in 2008, as well as the Operational Plan for implementation of the first phase of the Strategy. The purpose of the strategy is improvement of the quality of care and services for people placed in social institutions through non-institutional forms of protection, such as day care centres, small group housing, development of individual households and support to foster families. The intention is to create conditions for better availability of the services to the users at local level. The Strategy promotes and strengthens the partnership among the government, the local authorities, the civil and the private sector.

In 2008, two small group houses were opened so as to elevate the standard of living and the protection of the human rights of people with impediments.

A pilot social centre for assistance and support of old and weak persons was opened in cooperation with an association of citizens and the local self-government.

To that end, in the course of 2008, particular attention was paid to the development and further capacity building of the non-institutional forms of social protection, for the purpose of social inclusion of the most vulnerable categories of population such as street children, homeless persons, persons abusing drugs, persons with impediments, socially disadvantaged persons, etc. The expert teams of the Centres for Social Work were working actively on providing appropriate assistance and support to several different categories of beneficiaries:

- In the course of the year, approximately 500 persons-victims of family violence received appropriate treatment and assistance in terms of psychological and social aid, legal aid, help with obtaining the rights pertaining to social protection and referral to appropriate institutions. 30 persons were taken in the six existing shelters for victims of family violence, where they, in addition to food and accommodation, also received appropriate psychological and social treatment by expert teams so that they can become stronger during their stay, as well as after leaving the shelter.

- The day care centres for *people abusing drugs* and for the members of their families represent a new form of non-institutional social protection. In the course of 2008, a total of 101 users sought help and the day care centres provided appropriate assistance for re-socialisation and reintegration. Their expert teams provide appropriate psychological assistance and support, as well as support in obtaining certain rights provided with the existing legislation.
- In 2008, the two Shelters for *homeless people* accommodated a total of 110 homeless persons. In these shelters, in addition to food and accommodation, the occupants are also provided with other services and receive support in obtaining their rights in compliance with the Law on Social Protection.
- Approximately 300 *street children* were placed in the two open day care centres for street children, where in addition to food and care, children also receive upbringing and educational assistance, health protection, they are registered in the Main Book of Births and are assisted with other services as provided for by the Law on Social Protection and the Law on Family. This year, 61 children who have visited a day care centre for street children have been included in the regular education system.
- To present, about 350 persons have attended the 21 day care centres for *persons with intellectual disabilities*.
- One of the projects aiming at reducing poverty and improving the conditions of the poorest and socially most disadvantaged persons, included activities for providing one hot meal for these people and opening of *public soup- kitchens*. To present, such public soup-kitchens were opened in a total of 34 municipalities on the territory of the Republic of Macedonia and are serving approximately 3.400 users. This activity is planned to continue so as to expand the network of public kitchens in other municipalities as well, and to increase the number of users in the already existent ones.

Appropriate attention is paid to the continuous capacity building of the appropriate coordinative mechanisms for making and implementation of various policies, measures and programmes the purpose of which is to ensure prevention, care and support to the socially disadvantaged persons who are in social risk, and to integrate socially excluded persons. Training sessions and seminars are being organised for the experts in the field so as to improve their skills, knowledge base and expertise for implementing the policies and programmes in this area. As concerns alternative forms of care and accommodation, several workshops were held covering the following topics: group housing as alternative care for parentless children and children with disabilities, work with group of children in group houses and provision of social services by NGOs (norms and standards).

In the course of this year, priorities involved strengthening and intensifying the cooperation with the civil society and its active inclusion in the implementation of the policies for social assistance and social inclusion, and the ongoing process of decentralisation. In the course of 2008, 5 associations of citizens working on social protection were financially supported, 3 of which for providing services to intellectually challenged people over 18 years of age (day care centres), one association for providing social services to street children and one association for help of drug abusers and the operation of the National SOS line. The work of the National SOS Line for assistance and support of family violence victims, operated by a citizens association, was also supported.

In 2008, new 10 associations of citizens working in the area of social protection were entered in the Registry of Citizens Associations in the Ministry of Labour and Social Policy, thus reaching a total number of 35 such citizens organisations recorded in the Registry.

Policies and activities for inclusion of the Roma population in the Republic of Macedonia are anticipated under the National Strategy for Roma Population in the Republic of Macedonia and the Decade of Roma Inclusion in the relevant National Action and Operational Plans.

For implementation of these policies and activities, MKD 11,000,000 is allocated for the following projects:

- *Inclusion of the Roma children in pre-school education (kindergartens)*. This project was financed by the Roma Education Fund from Budapest and is being implemented in 15 kindergartens across the country, covering, in the course of the school year 2008/2009, a total of 243 Roma children at the age of 4,5 to 5,5 years, that is Roma children in the last pre-school year. This project is actually a continuation of the project that was implemented in the course of the previous two years. In this phase - which begins in October 2008 – financing is also provided by the local self-governments units on which territory are the 15 kindergartens where the programme is being implemented. For a more successful and more efficient implementation of this project, 16 nannies from the Roma ethnic community will be engaged to work with the Roma children in the kindergartens.
- Activities related to the opening and functioning of the *Roma Information Centres*, the purpose of which is to inform, assist and support members of the Roma ethnic community in satisfying their practical needs and for their accelerated integration, continue in compliance with the priority areas of the Roma Decade and Strategy. Under this project, in the course of 2008, 4 additional Roma Information Centres were opened to be the liaison between the Roma community and the institutions at a local level.
- *Employment of the Roma population through training* is one of the active employment measures. EUR 40,000 was allocated for employment of 100 persons in 12 cities of the Republic of Macedonia through trainings for known employers. During the training that will take 3 months, each trained person will receive MKD 4.000 per month. The same amount will also be given, as support, to the employer for each trained person, and after completion of the training, the employer will be obliged to employ the trained person for a period of not less than 1 year.

- The revision of the National Action and Operating Plans in the four priority areas of the Roma Decade and Strategy (employment, education, health and housing), is financially supported by the OSCE Mission to Skopje and receives technical support from the Ludwig Boltzmann Institute of Human Rights – BIM. The revision was carried out by members of the Government Coordinative Body and experts from the relevant ministries.

Concurrently, several projects are also being implemented for inclusion of Roma population in the *education* such as: projects for improving their performance and the rate of retention of Roma children in primary education, projects for increasing the number of Roma population graduated from high school, scholarships and mentor support for Roma students, etc. MKD 6,000,000 is allocated for high-school scholarships in the school year 2008/2009.

In the last period, a number of activities were implemented to *improve the infrastructure* in the settlements populated predominantly by Roma population. Projects for construction and improvement of the water supply and sewage systems, for urban development plans, and reconstruction of streets are financed from the Budget of the Republic of Macedonia, the local self-government as well as foreign donations.

Particular attention is paid to programmes for inclusion and wider coverage of Roma population in the system of *health protection* and for better access to health services. Activities for regular vaccination of the Roma children, education for prevention of HIV/AIDS in the Roma community, control of and education about tuberculosis and free gynaecological examination for Roma women are also being organised.

For the purpose of building the administrative capacity of the Ministry of Labour and Social Policy, a new *Unit for Implementation of the Roma Strategy and Decade* was established to coordinate and monitor the implementation of all ongoing activities. This Unit will prepare regular reports on the implemented activities and the achieved results, and will ensure direct cooperation with the Roma Information Centres, Roma NGOs, etc.

In the course of 2008, the procedure for employment of 2 persons in this unit was initiated. It is planned to staff this Unit with three more persons in 2009.

SHORT-TERM PRIORITIES

In the course of 2009, for successful implementation of the Strategy for Demographic Development 2008-2015, it was planned to develop and adopt an Action Plan 2009-2011, that will define the time periods and the institutions responsible for creating the conditions for efficient and effective accomplishment of the goals, the manner of their realisation and the harmonisation of the activities of all stakeholders as a basic precondition for achieving a multi-dimensional approach to the realisation of this Strategy. The same Action Plan will address the concrete measures and activities for achieving the set goals and guidelines in the adopted Strategy and for additional determination of the indicators for monitoring the progress in implementation of the same.

In 2009, a *National Strategy for Fighting Poverty and Social Exclusion* is planned to be developed, as a unique comprehensive document for defining and addressing the issue of social inclusion of the vulnerable groups in the social and economic trends, through active participation of all stakeholders in the creation and implementation of the inclusion policies. Creation of a coordinative mechanism for the purpose of development and further successful implementation of the anticipated measures and activities for fighting poverty and social exclusion is planned.

Activities have been planned for building capacity for defining specific social inclusion and social protection policies and for development of national strategic documents, local operating plans and concrete pilot projects for social inclusion at local and national level.

Particular attention will be paid to significant capacity building and support to the civil sector for its more active participation in the policies and programmes pertaining to social inclusion and fighting poverty. Therefore, a *National Anti-Poverty Network* will be established and should be incorporated into the European Anti-Poverty Network.

The building of the capacity for prevention and early identification of the victims of family violence, drug abuse and other deviant behaviour in primary school and high school students, as well as establishment of coordinated cooperation with the competent Centres for Social Work, will be supported through training and exchange of experience.

Expanding and strengthening the existing network of non-institutional forms of protection are planned under the National Strategy for *Deinstitutionalisation*.

Among the priorities in 2009 is the drafting and the adoption of the *Law on the Use of the Sign Language* in order to improve the legislation and elevate the level of enforcement of the rights and the inclusion of the people with disabilities, in compliance with the UN Convention on the Rights of People with Disabilities and the Action Plan of the Council of Europe for promotion of the rights

and the full participation of people with disabilities in the society: improving the quality of life of people with impediments in the period 2006-2015. For this purpose, an appropriate working group will be established with representatives from the MLSP and other relevant ministries, the National Council of the Republic of Macedonia of organisations of people with disabilities and the Institute of Defectology under the Faculty of Philosophy in Skopje. In the course of 2009, the National Strategy for Equalisation of the Rights of the People with Disabilities in the Republic of Macedonia will be revised to be made compliant with the UN Convention on the Rights of People with Disabilities, signed by the Republic of Macedonia in March 2007.

Also, improvement of the legislation is anticipated so as to strengthen the control mechanisms for monitoring the earmarked spending of the funds from the Special Fund for Stimulating Employment of People with Disabilities.

Based on conducted polls and analysis, two national studies will be developed, one for elderly people and one for people with disabilities in the Republic of Macedonia. These two studies will be focussing on the analysis of the situation of these vulnerable categories and on identifying the main causes for social exclusion of elderly persons and persons with disabilities, focusing on social protection, pensions, labour market and education and on defining concrete recommendations for improving and overcoming the determined situation.

In 2009, a *National Strategy for Protection of Elderly Persons (2009-2019)* will be prepared. It will ensure a strategic and coordinated approach to improve the situation of this vulnerable category of population.

For the purpose of improving the care for the elderly people, social services for elderly and weak people in three municipalities will be developed.

In the forthcoming period, activities will be taken for practical implementation of the priorities set forth in the Strategy for Integration of Refugees and Foreigners.

The capacity building of the Shelter for asylum seekers and the other participants in this process, will continue.

The other part of activities aiming at inclusion of Roma population will continue with the implementation of the Strategy for Roma Population in the Republic of Macedonia, as well as with the Action Plans, in accordance with the Decade for Inclusion of Roma 2005-2015. Action Plans will be developed for implementation of the policies for inclusion of the Roma population in the covered areas such as human rights and political participation, Roma culture, social inclusion etc.

In the course of 2009, the 12 Roma Information Centres will continue with their operation as partner projects with Roma NGOs. It is also anticipated that additional training sessions for 24 employees in these centres will be held to build and strengthen their capacity to provide support to the Roma population as mediators in obtaining the required identification documents. Should need arise, additional Roma Information Centres will be opened.

The opening of a business incubator for supporting employment of the Roma population is anticipated, through training and educative sessions in the area of entrepreneurship and establishment of small and medium enterprises and family businesses.

The implementation of the project "Inclusion of Roma Children in the Pre-School Education" will continue in the course of 2009 and due to its success and achieved positive results in the previous two years, its implementation will continue in 2009/2010, in cooperation with the Roma Education Fund from Budapest.

As concerns building of the administrative capacity for coordination of these activities, in the course of 2009, it is planned to have 3 new employments in the Unit for Implementation of the Roma Strategy and Decade within the MLSP. In addition, it is planned to deliver a training and capacity building programme for the staff so that they could be more efficient in coordinating and implementing the cross-sectoral activities for inclusion of the Roma population.

MEDIUM-TERM PRIORITIES

Among the medium-term priorities is the continuous and consistent realisation of the goals laid down in the adopted strategic documents – the National Social Inclusion Strategy, the Strategy for Deinstitutionalisation, the Strategy for Protection Against Family Violence, the National Strategy for Equalisation of the Rights of People with Disabilities in the Republic of Macedonia and the National Strategy for Protection of Elderly People.

Continuous efforts will be put into building the administrative capacity, for a more efficient and more effective making of policies, programmes and measures in the area of social inclusion and social protection, as well as into including the local government and the citizens' organisations in providing protection for socially excluded persons.

The expansion of the existing network of non-institutional forms of protection of children with disabilities, adults with disabilities and elderly persons (day care and regional centres) will continue.

Active and coordinated efforts are put in the implementation of the planned activities for improving the situation and for social inclusion of the Roma population. The implementation of the National Action and Operational Plans in the prioritised areas will continue.

FOREIGN SUPPORT

The Austrian Development Agency supported the implementation of the project "*New Dimension of the Approach to Human Rights and Poverty Reduction in the Social Inclusion*" implemented by the Ludwig Boltzmann Institute of Human Rights and the MLSP. All activities were aiming at including citizens' organisations and local self-government units in the implementation of the preparatory process for the Open Method of Coordination (OMC) and in the preparation of the first part of the Common Memorandum on Social Inclusion.

The UNICEF Office in Macedonia and the Italian NGO EducAid supported the furnishing of the day care centres, as a form of institutional care and support to children with intellectual disabilities.

UNDP and UNFPA began supporting the capacity building activities of the government institutions for fighting poverty and social exclusion and for applying OMC, for the purpose of cross-sectoral coordination among the line ministries for making the country policy for social inclusion and for drafting the Common Memorandum for Inclusion.

The UNICEF Office provided support for the realisation of the project "*Reforms in the Children's Protection System*", with particular emphasis to the process of deinstitutionalisation of parentless children and children without parental care, children with disabilities and children with upbringing and social problems, through development of alternative forms of care.

The Institute Open Society SOROS – Macedonia supported the Project for Transformation of the Special Institution in Demir Kapija, by developing alternative forms of care for intellectually challenged persons over 18 years of age.

GTZ-Office of the German technical assistance, through the project for improving the treatment of persons with disabilities, offers expert assistance for harmonisation of the legislation with the EU legislation and for establishing regulatory mechanisms in the area of social protection services (licensing, monitoring and evaluation).

As concerns inclusion of the Roma population, support is provided by the Roma Education Fund, through participation in the financing of projects for education of the Roma population. In cooperation with REF - Roma Education Fund, the MLSP is implementing the project "Inclusion of the Roma Children in the Pre-School Education".

The OSCE Mission in Skopje will financially support the capacity building training of the employees in the Unit for Implementation of the Roma Strategy and Decade.

UNDP, in cooperation with the MLSP, is preparing a methodology for monitoring the implementation of the Roma Strategy and Decade.

3.19.6 SOCIAL PROTECTION

CURRENT SITUATION

At the beginning of 2008, the Law on Voluntary Fully Funded Pension Insurance (Official Gazette of the Republic of Macedonia, No. 7/2008) was adopted, completing the reform of the pension system in the Republic of Macedonia from both normative and legal aspect. This Law transposes the Directive 2003/41/EC of the European Parliament and the Council on the activities and supervision of institutions for occupational retirement provision.

After the adoption of the Law, 41 bylaws necessary for the establishment of the third pension pillar were adopted. These bylaws regulate and govern in detail the procedures for licensing pension companies and funds, membership and payment of contributions, transfer from one to another pension fund, compensations, marketing activities, investing activities, assessment of funds and accounting for the pension funds, etc.

Pursuant to the Action Plan for Promotion of the Third Pillar, the Ministry of Labour and Social Policy, together with the Agency for Supervision of Fully Funded Capital Insurance – MAPAS, and with support from the USAID's Business Environment Activity, organized a conference on the "Voluntary Fully Funded Capital Insurance (III Pillar) in the Pension System of the Republic of Macedonia", in November 2008.

One of the programme goals of the Government of the Republic of Macedonia is the provision of social security for the pension beneficiaries by way of increasing pensions and regular payment. As of January 2008, in addition to changing the model of harmonisation of the pensions, the Government additionally increased the pensions, thus making the average pension 20% higher compared to 2007.

In November 2008, the Law on Contributions for Mandatory Social Insurance (Official Gazette of the Republic of Macedonia, No.142/08) was adopted. In an integrated approach, this Law governs obligations for payment of contributions for mandatory social insurance, determines rates, basis and amount of the mandatory social insurance contributions and provides for integrated collection of contributions by the Public Revenue Office, thus in effect ensuring simplification and transparency of the system, simplification of the administrative procedure and reduction of the employers costs for payroll calculations, and allowing for a more updated monitoring and control of the collection of contributions.

This Law also decreases and harmonises the minimum base for payment of contributions to 50% of the average salary paid and introduces the category of the highest base for payment of contributions.

During the process of developing the Law, consultations were held with the social partners as well.

The drafting of a new Law on Social Protection began in the course of 2008. It will reform the system of contributions of social protection.

The reform of the system of social protection is supported by the Social Protection Implementation Project (SPIL Project) financed by a World Bank loan. This project provides technical assistance and support for improving the social protection legislation (Law on Social Protection and Law on Child Protection).

SHORT-TERM PRIORITIES

By the end of April 2009, the new Law on Social Protection will be adopted.

This Law is being prepared to fulfil one of the defined priorities for improving social protection, i.e. reforming the system of social contributions for the vulnerable categories of citizens, and improving its efficiency. Particular attention will be paid to further development and improvement of the system of social services for the most disadvantaged categories of citizens. The new legislative solutions will provide for better targeting of the assistance, i.e. will ensure that the social benefits and services reach those categories of people that need them most.

The implementation of the Law on Social Protection will also involve designing and establishing of a contemporary integrated information system in the Ministry of Labour and Social Policy and in the Centres for Social Work, for administration and payment of social benefits and services.

For that purpose, a modern web-based application will be developed for automated servicing of the requests for monetary allowances, networking will be provided and an integrated data base and software application will be implemented.

Pursuant to the plan and the defined dynamics, this integrated system will become operative in the Ministry of Labour and Social Policy and in the Centres for Social Work until September 2009.

Concurrently with the implementation phase of the integrated information system, appropriate training and education seminars will be organised for the expert staff from the Ministry and the Centres, as they will be using this system in their every day work.

Introduction of a new additional conditional cash transfers programme is also planned and will be implemented as of September 2009.

With this programme, it is planned for new monetary benefits to be introduced, i.e. conditional cash transfers for users of social welfare. These categories of people will obtain such right upon fulfilment of certain conditions. The purpose of these programmes is to contribute to poverty reduction, in particular to reduction of cross-generational poverty by providing support for the children from the most underprivileged families for inclusion and for continuing the educational process, as well as for better health care.

For that purpose, a new financial allowance will be introduced, with a stimulating effect for regular attendance of high-school classes by children from families on social welfare. Also, an allowance will be introduced for regular medical examinations of the children since birth and for their regular vaccination, i.e. for postnatal care of children from families on social welfare.

In the course of 2009, a new National Development Programme for Social Protection will be prepared, as a strategic document that will define the goals, the priorities and the directions of development of the social protection of the citizens of the Republic of Macedonia, providing for short-term and long-term active social policy measures.

Adoption of a programme with measures for reducing energy poverty is also planned, if needed, as a separate programme of the Government of the Republic of Macedonia, in addition to the introduction of the conditional cash transfers and subject to an analysis of the situation.

Furthermore, a special Law on Social Housing will be adopted to regulate the right of the most disadvantaged categories of citizens to have a home.

In the forthcoming period, the successful and efficient implementation of the social protection policies and programmes will be supported with a continuous education programme for training of the expert staff and for licensing the employees in the social protection institutions. Concurrently, norms and standards for the work of the expert staff in the social protection institutions will be prepared.

After the adoption of the Law on Social Protection, training sessions and seminars will be organised for promotion and for studying the statutory solutions and their application, and for monitoring and evaluation of the social protection policies and programmes.

MEDIUM-TERM PRIORITIES

The implementation of the reformed system of contributions under the social protection system and the success in targeting the most underprivileged categories of citizens will continuously be monitored and assessed.

An appropriate Action Plan for Implementation of the National Development Programme for Social Protection in 2010 will be developed.

The capacity building will continue with expert training, seminars and workshops, primarily for the Centres of Social Work so as to consistently implement the social protection policies, the programmes and the measures.

Particular attention will be paid to enhancing the resources and the capacity for efficient monitoring and evaluation of the success of the social protection and the social inclusion programmes.

FOREIGN SUPPORT

The implementation of the SPIL Project, financed with a World Bank loan, includes also activities in support of implementation of the social protection programmes, i.e. supports the efficient implementation of the reforms to the system of social protection and the building of the administrative and the technical capacity of the Ministry of Labour and Social Policy as concerns contributions, social services, etc.

The preparation of the Project for conditional cash transfers is underway. The Project will commence in 2009, with support from the World Bank.

3.19.7 ANTIDISCRIMINATION AND EQUAL OPPORTUNITIES

CURRENT SITUATION

As concerns non-discrimination, the analysis of the current situation shows that even though non-discrimination is addressed in the Constitution of the Republic of Macedonia as well as in several other existing laws, still according to the existing legislation and the good practices of the European Union, there are a number of non-discrimination aspects that are not addressed and regulated with the national legislation. As a result, the adoption of a separate Law on Anti-Discrimination became necessary.

The activities for preparation of the draft text of the Law on Anti-Discrimination began in 2008. For that purpose, a working group was established composed of representatives from the relevant institutions and from the NGO sector and the initial draft text of the Law on Anti-Discrimination was composed. So as to provide transparency and wide public participation, 6 public debates were organised in 6 cities of the Republic of Macedonia. The purpose of these debates was to promote the draft text of the Law on Protection against Discrimination and they presented a good opportunity for receiving proposals, suggestions and comments from all stakeholders. The proposed text was delivered to ODIHR and to the Venice Commission in Strasburg, as well as to the Delegation of the European Commission in Macedonia.

Pursuant to the priorities defined in the *National Action Plan for Gender Equality 2007-2012*, Operational Programme for implementation of the Plan in 2008 was developed. For the purpose of maintaining the positive trend of transparent operations in this area, the Operational Programme was promoted and presented in a number of cities in the country, before representatives from local institutions and organisations.

A *Gender-Sensitive Education Programme* was delivered for teachers from primary schools teaching first to fifth grade. The programme covered all primary schools in Macedonia. It was aiming at providing primary school teachers with knowledge and skills in the basic concepts of gender development and incorporation of the gender concept in the teaching curricula and plans. A total of 15 training sessions were attended by 330 first-to-fifth grade teachers.

For the purpose of capacity building of the national gender equality mechanisms, trainings (basic and advanced) for the coordinators for equal opportunities for women and men in the Ministries of the Government of the Republic of Macedonia were organised. A needs assessment of the national gender equality mechanisms was developed by an expert, and served as the basis for preparing the training programme.

The development of the concept of *gender-sensitive budgeting* began in the course of 2008. A four-day training of trainers for gender budgeting was held. It was attended by representatives from the budget sectors of several ministers, the coordinators for

equal opportunities for women and men, representatives from the NGO sector and representatives from several units of local government.

As concerns application of the Law on Equal Opportunities for Women and Men and establishing a network of national and local gender equality mechanisms, coordinators in all ministers in the Government of the Republic of Macedonia have already been appointed. Also, the network of mechanisms at local level is being gradually completed. To present, commissions for equal opportunities of women and men were established in 79 councils in the local self-government units, while coordinators were appointed in 70 out of 84 local self-government units.

Amendments were adopted to the Law on Equal Opportunities for Women and Men (Official Gazette of the Republic of Macedonia, No. 117/2008). These amendments harmonise the discrimination definitions provided in the Law with the Directive 2002/73/EC of the European Parliament and the Council. Thus, one of the commitments of the Republic of Macedonia concerning gender equality and non-discrimination that arises from the Progress Reports of the Republic of Macedonia in the process of accession to the European Union was fulfilled.

The institution in charge of gender equality and non-discrimination, in compliance with the requirements of the European directives, and for prevention and protection against all forms of discrimination on grounds of gender, sexual orientation, age, ethnic origin, disability and double discrimination, is the Sector for Equal Opportunities under the Ministry of Labour and Social Policy. This sector has two units: Unit for Gender Equality and Unit for Prevention and Protection against All Forms of Discrimination. The Gender Equality Unit works on empowering the status of women on the society and on establishing equal opportunities for both women and men. Its duties and responsibilities are in compliance with Directive 2002/73/EC of the European Parliament and the Council (as amended by Directive 76/207/EC).

Pursuant to the new draft Law on Anti-Discrimination, the new independent body that is responsible for protection against discrimination is the Ombudsman. Under the authority vested, the Ombudsman takes measures and activities for enhancing the right to equality and for protecting discrimination victims.

SHORT-TERM PRIORITIES

As concerns anti-discrimination, the adoption and implementation of the new Law on Anti-Discrimination will be a priority in 2009. Hence, training sessions, public debates and a campaign is planned to be organised in cooperation with the NGO sector so as to inform and make responsive the entities responsible for the implementation of the Law as well as the general public in the Republic of Macedonia.

During this period, activities for harmonisation of the education legislation with the Law on Equal Opportunities for Women and Men will be implemented in order to incorporate the gender concept in the curricula for teaching and professional training, thus providing for a mechanisms for elimination of the prejudice and stereotypes related to the establishment of equal opportunities for women and men in the educational process.

The activities for implementation of the Law on Equal Opportunities for Women and Men at a local level, in the local self-government units, will continue. During 2009, local capacity building programmes for the commissions and the coordinators for equal opportunities will be implemented. A needs assessment of the commissions will be carried out and a mechanism will be established for coordination and cooperation among the Sector for Equal Opportunities in the MTSP and the coordinators and the commissions in the local self-government units.

The implementation of the Law on Equal Opportunities for Women and Men will continue through realisation of concrete activities for capacity building of the coordinators for equal opportunities for women and men in the ministries of the Government of the Republic of Macedonia. For that purpose, a series of trainings for the coordinators will also be organised.

In January 2009, an Operational Plan for Implementation of the National Action Plan for Gender Equality 2007-2012 is planned to be developed, as a regular activity.

Under the Community Programme for Employment and Social Solidarity PROGRESS, the public sector (two NGOs), financially supported by the Ministry of Labour and Social Policy, will implement the project "Macedonia without Discrimination" in the course of 2009. The purpose of the project is to further strengthen the public awareness for all aspects of non-discrimination, in particular the awareness of the young people about the benefits from equality and about the existing differences among the citizens of the Republic of Macedonia. The project aims at enhancing the legal framework and building the capacity of the stakeholders. It also aims at promoting partnership between the national and local authorities, and between the civil society and the expert public with regard to establishment of a mechanism for monitoring all aspects of non-discrimination in the Republic of Macedonia.

In light of one of the remarks in the report of the European Commission on the progress of the Republic of Macedonia, in the section on gender equality, that concerns insufficient dedication to promotion of the rights and the socio-economic empowering of women with different ethnical origin in rural areas, a Programme will be implemented in 2009 for economic empowerment of women from rural areas, and a survey will be conducted to determine the situation of these women in the Republic of Macedonia. This survey will provide directions and recommendations for activities aiming at improving the position of the women in rural areas and in the minority ethnical communities. This should result in reducing unemployment of this target group and building their capacity for successful inclusion on the labour market.

Analysis of the reasons for dropping out of school in rural areas, in particular of members of smaller ethnic communities, will be developed. The analysis will be followed by working meetings with the students' parents, for the purpose of their reintegration in the educational system.

In line with the implementation of the UN Resolution 1325 on women's contributions in conflict resolution and sustainable peace, programmes for gender equality and the rights of women will be developed to train the members of the armed forces and the peace missions of the Republic of Macedonia's Army. The gender concept will be incorporated in the area of security and defence in cooperation with the Ministry of Defence.

In line with the realisation of the Action Plan for Improving the Status of the Roma Women, training of trainers on enforcement of human rights and local level working meetings are planned to be organised.

MEDIUM-TERM PRIORITIES

After the preparation and adoption of the Law on Anti-Discrimination, priority in the forthcoming period will be given to its persistent and efficient implementation. In compliance with the provisions of the Law, necessary activities will be taken to establish and enhance institutional mechanisms for efficient determination, monitoring and punishment of discrimination on all grounds as provided hereafter.

New legislation proposals will continuously be monitored with regard to incorporation of the gender concept.

Activities for implementation of the priorities defined in the National Action Plan for Gender Equality 2007-2012 will be taken.

The realisation of the activities for building the administrative capacity for implementation of the policies and programmes pertaining to equal opportunities for women and men, gender equality, protection against discrimination and protection of victims of human trafficking will continue.

FOREIGN SUPPORT

Trainings under the Gender-Sensitive Education Programme were organised in the course of 2008 with the support of the Royal Norwegian Ministry of Foreign Affairs, which also supported the training of trainers for gender budgeting.

In the past period, the OSCE Mission to Skopje supported the organisation of 10 working meetings and 2 roundtables on detected deficiencies and defects and on improving coordination between the gender equality mechanisms on national and local level.

The OSCE Mission supported the organisation of training for awareness and obtaining skills and knowledge in the gender equality area, for the coordinators for equal opportunities for women and men in the ministries. OSCE also provided support for the organisation of 7 public debates discussing the draft text of the new Law on Anti-Discrimination, the purpose of which was to explain the text of the proposed Law for all interested parties.

Five public debates in several cities of the Republic of Macedonia were held to support the transparent operation of the Sector for Equal Opportunities and for promotion of the Operational Programme for 2008 of the National Action Plan on Gender Equality, with the support of UNIFEM.

Pursuant to a Memorandum for Bilateral Cooperation with the Government of the Republic of Macedonia, the Government of the Kingdom of Norway will continue to support the enhancing of the gender equality and the empowerment of the status of women in the society in 2009 as well. Activities for empowering the position of women in rural areas and non-majority ethnic communities are planned.

In 2009, with the support from the UNIFEM Office in Skopje, the Sector for Equal Opportunities will continue the implementation of activities for including the gender concept in the budgets of the ministers and the local self-government units.

For the purpose of capacity building of the gender equality mechanisms, and in cooperation with the UNDP, the Ministry of Labour and Social Policy will implement activities with the Commissions for equal opportunities in the local self-government units.

3.20 ENTERPRISE AND INDUSTRIAL POLICY

3.20.1 ENTERPRISE AND INDUSTRIAL POLICY PRINCIPLES

CURRENT SITUATION

LEGAL FRAMEWORK

Macedonia has developed the draft document - "Industrial Policy of the Republic of Macedonia for 2009-2020", intended to define the principal directions in the development of Macedonian industry. This strategic document has been developed in the inter-ministerial work group and in continuous consultations with the business community, the chambers of commerce, the universities and the National Council for Entrepreneurship and Competitiveness.

In the process of improving the business environment, substantial results have been achieved in terms of accelerating market entry and exit procedures (with the introduction of the one-stop-shop system, as well as the amendments to the Bankruptcy Law). Furthermore, the regulatory reform and RIA have cut red tape and facilitated running a business. The Regulatory Guillotine project, encompassing 63 laws and 481 bylaws, was carried out within the first phase of the regulatory reform. The second phase saw the adoption of a RIA methodology, adequate forms and amendments to the Rules of Procedure of the Government of the Republic of Macedonia. As of 1 January 2009, conducting regulatory impact assessment (RIA) is compulsory for all ministries when adopting new laws.

In order to encourage foreign investments in Macedonia, so far 21 promoters in 21 countries have been engaged, with a plan to deploy two more economic promoters.

The general guidelines for SME development have been defined in the National Strategy for the Development of Small and Medium-sized Enterprises (2002-2013) and in the four-year Programme for the Development of SME Entrepreneurship, Competitiveness and Innovation (2007-2010), defining specific SME support measures and activities.

In 2008, the National Coordinative Body for Corporate Social Responsibility was established and the National CSR Agenda for the Republic of Macedonia for 2008-2012 was adopted. This strategic document promotes the principle of social responsibility, whereby companies integrate social and environmental concerns in their business operations and in their interaction with voluntary stakeholders.

INSTITUTIONAL FRAMEWORK

The main institutions in creating and implementing enterprise policies are the following: the Government of the Republic of Macedonia, the Ministry of Economy, the Cabinet of the Deputy Prime Minister for Economic Affairs - Sector for Economic Policies and Regulatory Reform, the inter-ministerial work group on industrial policy, some line ministries, specialised agencies and other institutions and organisations, including the Macedonian Bank for Development Promotion.

As regards the institutional support for SMEs, the main institution carrying out Government SME programmes is the Agency for Promotion of Entrepreneurship of the Republic of Macedonia. In addition to the Agency, there is a broad network of entrepreneurship and SME support institutions:

- 21 business centres;
- the Prilep Region Enterprise Development Agency - PREDA;
- 10 business incubators;
- 3 agencies for technology development;
- 17 local economic development offices in 17 municipalities in the country;
- a university start-up centre at the Faculty of Mechanical Engineering in Skopje;
- a human resources development fund;
- a Euro-Info Correspondence Centre in Skopje (European Information and Innovation Centre Macedonia - EIICM);
- 10 clusters.

Furthermore, there is an ever more underlined role of the Agency for Foreign Investments, actively working on promoting the potential of the Macedonian economy and on attracting foreign investments.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

The key priority is the adoption and successful implementation of the strategic document for industrial policy – "Industrial Policy of the Republic of Macedonia for 2009-2020". The document defines the priorities, objectives, measures and instruments for creating

a competitive economy. The document outlines several areas of intervention via programmes and measures implemented by various ministries:

1. Increasing applied research, development and innovation by an increase of investments in research and development, developing inter-sectoral cooperation among the industry, the institutions and the Government.
2. Internationalisation of companies - improving and supporting international cooperation in the private sector for the purpose of exchanging knowledge and experience, learning and developing new management and marketing methods and techniques.
3. Promoting sustainable development by taking advantage of natural resources for generating renewable and alternative energy, as well as of the environmental potential of the country for offering high value-added products and services (turning environmental potential into opportunities for favourable economic development).
4. Improving the competitiveness of Macedonian industry by stimulating and strengthening clusters and their regional and international networking (the purposes are cost sharing, more efficient market research, and more efficient movement of labour, capital, technology, innovation and information), and
5. Promoting SME development and entrepreneurship by strengthening the capacities of the APERM and the overall institutional infrastructure related to SME development, as well as improving access to financing SMEs.

INSTITUTIONAL FRAMEWORK

In the upcoming period, attention will be put in on enhancing and improving the coordination among the various institutions creating and implementing industrial policy.

MEDIUM-TERM PRIORITIES

In the medium-term, work will be put in on the successful implementation of the strategic document Industrial Policy of the Republic of Macedonia for 2009-2020, enabling improved competitiveness of the Macedonian industry.

3.20.2 INDUSTRIAL POLICY INSTRUMENTS

CURRENT SITUATION

The instruments used for the implementation of the Industrial Policy in the Republic of Macedonia have been defined in a number of programme documents. Therefore, we have been continuously implementing the Programme for Investment Promotion in the Republic of Macedonia, the Programme for Improving the Competitiveness of Macedonian Products and Services, and the Programme for the Development of Entrepreneurship, Competitiveness and Innovation of SME.

The amendments to the Law on Obligations (Official Gazette of the Republic of Macedonia 84/2008) transposed Directive 32000L0035 on late payment in commercial transactions.

SHORT-TERM PRIORITIES

It has been envisaged to adopt a special programme for supporting and developing an association of clusters (Programme for Clusters' Development). The programme will involve activities for better promotion of the possibilities offered by clusters, training and promoting cluster management, improving cluster networking, as well as funding for establishing new clusters.

The implementation of the Programme for Improving the Competitiveness of Macedonian Products and Services will continue. The Programme envisages company subsidies for quality system certification, product certification, developing industrial design solutions, and submitting international patent applications. We have also provided for organisation, co-financing, participation and presentation at international fairs and business forums.

Within the Programme for Developing Entrepreneurship, Competitiveness and Innovation of SME there are activities planned for meeting the priorities of the European Charter for Small Enterprises. Co-financing and supporting business incubators, business centres and the European Information and Innovation Centre have been envisaged. Furthermore, it is envisaged to continue the voucher advisory system, as well as to support the Human Resources Development Fund, continuously improving SME access to know-how. In the area of SME access to finance, amendments to the Law Establishing the Macedonian Bank for Promotion is planned in order to improve the utilisation of funds from the Guarantee Fund.

MID-TERM PRIORITIES

In the area of SMEs, the implementation of the Programme for Developing Entrepreneurship, Competitiveness and Innovation of SME (2007-2010) will continue, fully encompassing the priorities of the European Charter for Small Enterprises. In addition, an assessment will be made of the manners to align the national definition of SMEs with the EU criteria.

It has also been planned to further develop measures to support the competitiveness of the Macedonian economy.

3.20.3 SECTOR POLICIES

CURRENT SITUATION

The following sectoral strategies have been prepared so far in the Republic of Macedonia:

- National Programme for Restructuring and Conversion of the Steel Industry of the Republic of Macedonia;
- Strategy for Development of the Textile Industry;
- National Strategy for Tourism Development (2008-2012).

In addition to the above strategy, the following legal acts are also relevant for the tourism sector: the Law on Catering Industry (Official Gazette of the Republic of Macedonia 62/2004, 89/2008) and the Law on Tourism (Official Gazette of the Republic of Macedonia 62/2004, 89/2008).

SHORT-TERM PRIORITIES

In the steel sector, the National Programme is continuously implemented. The third steel bulletin is coming up, containing full information and data on steel industry trends. Furthermore, it has been planned to organise a regional conference on the future challenges and trends in metallurgy, with particular emphasis on the steel industry in a time of global crisis.

In the textile industry, an action plan defining the measures and activities for implementation of the Strategy for Development of the Textile Industry will be developed.

Within the frames of the tourism sector, the following activities have been planned to promote Macedonia as a tourist destination: designing and printing promotional material for certain segments of the tourism offer; presentation at international tourism fairs; subsidies for participation at business forums and other events; cooperation with foreign tour operators, journalists and various federations for the purpose of promoting Macedonian tourism in the foreign tourism media; as well as supporting projects in tourism and training tourism staff. Furthermore, the Agency for Tourism Promotion and Support will become operational in 2009.

MID-TERM PRIORITIES

Implementation of the above mentioned sectoral strategic documents.

3.21 TRANS-EUROPEAN NETWORKS

3.21.1 TRANSPORT NETWORKS

CURRENT SITUATION

Negotiations for the Agreement establishing a Transport Community of the Western Balkans countries and the European Union are in progress. The aim of the Agreement is to establish an integrated market for infrastructure and land transportation, water transportation, inland navigation and harmonise the relevant legislation in the Balkan region (the Republic of Macedonia, Albania, Serbia, Kosovo, Montenegro, Croatia, and Bosnia and Herzegovina) with the EU legislation (excluding air traffic), to allow transport users and citizens to benefit sooner from the advantages offered by EU accession. At the meeting held in Brussels between the European Commission and representatives of the Western Balkans countries, the first draft text of the Transport Community Treaty was presented, still at an early stage.

On the basis of the Study for restructuring the road sector, the Fund for National and Regional Roads of the Republic of Macedonia has been transformed into a new Agency for State Roads, and the PE Makedonijapat is being restructured for the purpose of adaptation to the liberalisation of the market for road maintenance, arising from the new Law on Public Roads and the institutional restructuring of competencies in the road sector.

LEGAL FRAMEWORK

The legal framework related to transport networks is part of the legal framework governing transport policy. See Chapter 3.14

STRATEGIC DOCUMENTS

- Multi-annual Plan of the Southeast European Transport Observatory - SEETO (2009-2013)

The cooperation for developing the main regional transport network continues within the Southeast Europe Transport Observatory (SEETO). The Multi-annual Plan (MAP) for 2009-2013 has been approved. Carrying out priority projects, coordinating investments and annual reviews of the MAP represent continuous cooperation within SEETO as well as further implementation of the priorities from the MAP for 2009-2013. These are primarily related to the "soft measures" for removing the non-physical barriers in the transport among the countries in the Western Balkans and for enhancing regional cooperation. Republic of Macedonia embarked on the process of development of a new five-year plan for 2010-2014.

A project for road safety auditing and railway reform has begun within SEETO, running until November 2009. The objective is to improve traffic safety on roads and facilitate the harmonised approach in the reform of the railways.

- Public Investment Programme (2009-2012)

The Public Investment Programme is a three-year strategic document of the Government of the Republic of Macedonia. The mid-term development policy of the Government of the Republic of Macedonia for investing in the public infrastructure of the country is based on dynamic investment activity expected to result in optimal use of existing capacities, reconstruction and modernisation of the public infrastructure for the purpose of ensuring cost-effectiveness and higher efficiency.

- National Transport Strategy (2007-2017)

The National Transport Strategy for 2007-2017, adopted by the Government of the Republic of Macedonia in 2007, was presented before the European Commission, IFIs and other stakeholders confirming its alignment with the EU and with the SEETO agenda in the transport sector for the coming period. In accordance with the review plan, it is going to be reviewed every six months for the first two years. The latest review was in December 2008, aimed at improving its quality and harmonising it with the planned activities in transport infrastructure.

- National Development Plan (2009-2013)

The National Development Plan is a document that is part of the macroeconomic policy of the Republic of Macedonia. The Ministry of Transport and Communications coordinates the preparation of investment priorities in the area of transport infrastructure, defining the priority projects in the area of road, railway and air transport infrastructure for the 2009-2013 period.

- National Road Traffic Safety Strategy 2009-2014

The National Strategy for Improving the Road Traffic Safety 2009-2014 has been adopted by the Council on Road Traffic Safety on 16 October 2008, enacted on the session of the Assembly of the Republic of Macedonia on 11 November 2008. The main objective is by 2014 to reduce the number of traffic victims on the roads in the Republic of Macedonia by 50% and have zero child victims in traffic. The Strategy has been harmonised and is consistent with the National Transport Strategy 2007-2017.

- Pre-accession Economic Programme (PEP 2008-2010)

The Programme is a document that is part of the macroeconomic policy of the Republic of Macedonia. The continuous annual implementation of the Programme has been envisaged until the accession of the Republic of Macedonia in the European Union. Responsible for the PEP is the Ministry of Finance, and for this purpose an inter-ministerial committee has been established for preparing the PEP, as well as a secretariat for preparing and monitoring the Programme.

INSTITUTIONAL FRAMEWORK

The Sector for European Integration within the Ministry of Transport, according to the new organisation, consists of three units: Unit for Negotiations and Integration, Unit for IPA Funds, and Unit for Community Programmes and Other International Investments. The Sector for the European Union has 15 employees, 6 of which on temporary employment contracts.

In accordance with the amendment to the systematisation act, a new Railways Sector, including a Unit for Railway Infrastructure, has been set up in the Ministry of Transport and Communications. See Chapter 3.14.2

On the basis of the Study for restructuring the road sector the Fund for National and Regional Roads of the Republic of Macedonia have been transformed into a new Agency for State Roads as an administrator of the road network in the Republic of Macedonia; the restructuring of PE Makedonijapat is also underway in order to adapt to the liberalisation of the market for regular road maintenance, arising from the new Law on Public Roads and the institutional restructuring of competencies in the road sector. The transformation of the PE Makedonijapat is underway, also in accordance with the Study for Restructuring the Road Sector.

The transformation of PE Macedonian Railways has been completed; on 9 August 2007 the two new companies, Public Enterprise for Railway Infrastructure Macedonian Railways and Macedonian Railways Transport JSC, were registered and started operating as two independent legal entities with separate accounts.

In accordance with the decision of the Government of the Republic of Macedonia of 24 September 2008, an Agreement has been signed to grant concessions for the Alexander the Great airport in Skopje, the St. Paul the Apostle airport in Ohrid and the construction of a new cargo airport in Stip.

SHORT-TERM PRIORITIES

As regards the Hipodrom-Orizari section of the Skopje ring road, 94% of the construction work and 99% of the expropriation are complete, and it is expected to be put into use in the first half of 2009. In the Orizari-Saraj section, construction work was completed on time and it was officially put into use on 24 July 2008. This means that it is expected that in 2009 the Skopje ring road will be fully operational.

On 20 October 2008, the construction of the Tabanovce-Kumanovo highway (7.5 km long) started,. The project envisages that the Tabanovce-Kumanovo section is going to become a highway with the construction of a new 11 metres wide one-way track, parallel with the existing road, separated from it with a 4 metres wide green strip and fence. The time frame for the project is 18 months. The existing parallel road will become only one-way and it is going to be widened from the existing 7.5 metres to 11 metres. The project also provides a new approach to traffic management and access to the Tabanovce border crossing.

In the IPA Operational Programme Regional Development (2007-2009), the IPA application prepared by the Ministry of Transport and Communications, the Ministry of Finance, the Ministry of Environment and Physical Planning, and the Fund for National and Regional Roads was delivered to the European Commission in Brussels on 6 October 2008, following prior approval by the Government of the Republic of Macedonia. A letter was received from Directorate General for Regional Policy that the application is acceptable after the first administrative check on 21 October 2008.

By the end of 2009, i.e. in the second half of 2009 during the Swedish presidency, it is expected to sign the Transport Community Agreement.

The Agency for State Roads, in line with the project for modernising the toll collection system by operator management, has initiated the selection procedure for an operator and equipment procurement, in accordance with the envisaged introduction of a new operator-run electronic toll payment system along Corridor X.

A two-fold update of the National Transport Strategy 2007-2017 is anticipated in 2009 for improving its quality and incorporating the new transport infrastructure activities.

INSTITUTIONAL FRAMEWORK

As regards strengthening the capacities of the Sector for European Union within the Ministry of Transport and Communications, two new positions are envisaged for 2009.

The Agency for State Roads plans to take on new staff in the course of 2009, within its needs, for the purpose of completing the Corridor VIII project.

MEDIUM-TERM PRIORITIES

Using the European Union pre-accession assistance - IPA funds

A. Priority axis 1 - Corridor X, completing the highway

A.1 Measure 1.1 - construction of the remaining sections on Corridor X up to highway level.

The construction of the Demir Kapija-Smokvica highway, 28.5 km long, is expected to start in 2010 and end in the second half of 2013.

B. Priority axis 2 - Construction and modernisation of transport infrastructure

B.1 Measure 2.1 - Improving railway infrastructure throughout the Southeast regional network

The Ministry of Transport and Communications, in cooperation with PE for Railway Infrastructure Macedonian Railways has identified the following projects to be implemented within measure 2.1 of the Operational Programme:

- Designing a main project for a new railway line, Veles-Nogavci, 19 km long;
- Designing a main project for reconstruction of the Nogavci-Negotino section, 31 km long;
- Designing a main project for a new railway line - Bitola-Kremenica, 16 km long (Corridor Xd);
- Designing a main project for a new railway line - Kumanovo-Deljadrovci, 10 km long (Corridor X);
- Preparing a cost-benefit analysis for Corridor X and Corridor VIII;
- Preparing an environmental impact assessment for Corridor VIII and Corridor X.

These projects are in line with the criteria of the Operational Programme, including financial allocation for this measure and the national priorities for the development of the railway sector in the Republic of Macedonia.

B.1 Measure 2.2 - Improving the road network throughout the Southeast regional network

The Ministry of Transport and Communications has identified the following projects to be implemented within measure 2.2 of the Operational Programme:

- Preparing a feasibility study for upgrading the Romanovce-Deve Bair section of Corridor VIII up to highway level.

C Priority axis 4 - Technical assistance

The Ministry of Transport and Communication, in cooperation with the Ministry of Environment and the Ministry of Finance, has identified the projects to be funded within this measure, followed by their continuous implementation.

In 2008, the Ministry of Transport and Communications proposed for the first time a project for using funds from IPA 1 - Transition assistance and institution building, with the help of the State Inspectorate for Transport in implementing the Law on Public Roads.

In 2009, the development of projects for the new regional development programme shall start. The emphasis in the programme is going to be placed primarily on railway transportation;

Selection of a concessionaire for the road concessions project with toll collection in the Republic of Macedonia network. In 2009, in accordance with the project for road concession with toll collection and consultancy services by the Louis Berger company, the signing of concessions is expected for certain road sections in the network of the Republic of Macedonia with a concessionaire who would handle the construction and maintenance of those sections.

In addition to the Corridors, the Government of the Republic of Macedonia has paid full attention to the reconstruction and construction of regional and local roads, as they account for a large portion of the country's transport infrastructure. The project for rehabilitation of local and regional roads, a EUR 70 million loan from the World Bank, is going to be implemented from 2009 through to 2013 and it will contribute to the rehabilitation of the local and regional road network in the Republic of Macedonia, as well as raise transportation levels in the entire country.

Concession for the Alexander the Great airport in Skopje, the St. Paul the Apostle airport in Ohrid, and the construction of a new cargo airport in Stip. The contract for the concession of the Macedonian airport system between the Republic of Macedonia and the TAV company from the Republic of Turkey was signed on 24.09.2008.

Implementing projects identified by the High Transport Group

The priority axes/projects identified by the High Transport Group for the Republic of Macedonia, to be carried out until 2010, are the following:

- Construction of the highway from the border crossing with the Republic of Albania to Skopje and to the border crossing with the Republic of Bulgaria;
- Rehabilitation of the Tabanovce-Gevgelija railway line, stage 1;
- The Kumanovo-Beljakovce-Bulgarian border railway line;
- The Kicevo-Struga-Albanian border railway line;

To be completed after 2010:

- Rehabilitation of the Tabanovce-Gevgelija 2 railway line

Project of regional importance and national priority:

- Construction of a multi-modal terminal in Struga.
- Construction of the Veles-Prilep section. The section is part of the European Corridor Xd and is of particular importance for transport in the entire region towards Central and Western Europe.
- As regards the implementation of the SEECP Agreement for establishing a high-performance railway network in Southeast Europe, the Action Plan for the implementation of the Agreement has been prepared. It is now being reviewed by the line institutions and the comments will be delivered to the head office of the technical secretariat for the implementation of the SEECP Agreement in Athens, Greece.
- Implementation of the Protocol for Cross-border Cooperation of the Countries along the Pan-European Corridor X, signed in June 2006 on Corfu, with the goal of facilitating the movement of people and goods along Corridor X. In the short- or mid-term the signatories must align their legislation and border crossing procedures with the EU acquis, establish uninterrupted information exchange among the line administrations and agencies, especially electronically, in order to achieve closer cooperation and higher efficiency. The recommendation is to appoint contact points in each country, which will be in charge of this task. The first chair is the Republic of Greece. In February 2008, the sixth meeting of the work group for improving border crossings and delivering up-to-date data took place.

3.21.2 TRANS-EUROPEAN ENERGY NETWORKS

CURRENT SITUATION

LEGAL FRAMEWORK

The legal framework regarding Trans-European Energy Networks is part of the legal framework regulating the energy policy, see Chapter 3.15.

STRATEGIC DOCUMENTS

The electricity and natural gas market was transformed in line with the principles of the European directives and regulations and the *Treaty Establishing the Energy Community* that the Republic of Macedonia signed with the other countries of Southeast Europe and with the European Commission on 25 October 2005 in Athens. The Republic of Macedonia ratified the Treaty in May 2006, and it entered into force on 1 July 2006.

In order to achieve the objectives of the Treaty, the activities of the signatory countries encompass, *inter alia*, the establishment of a single mechanism for cross-border capacity allocation and transmission or transport of this type of energy, and establishment of a electricity and natural gas market without internal borders for all signatory countries of the Treaty, including also coordination of mutual assistance in case of serious disruptions in the functioning of the energy network.

The Transmission System Planning (TSP) Project for Southeast Europe, a project commenced in 2001 with technical assistance from USAID and USEA (United States Energy Association), is in the implementation stage within the *SECI Programme* (Southeast

European Cooperation Initiative). The principal idea of the project is to introduce a regional approach in transmission system planning, and to create a common database for power supply systems in the region that would continuously be upgraded and used by the power supply companies in the Southeast Europe countries. The work in this project will continue with the design of regional transmission network models for 2015-2020, as well as carrying out the study "Uncertainties in the transmission network of Southeast Europe and risk assessment for future investments in transmission infrastructure".

The Study on Reliability of the Power System and Investment Programme to be carried out by the end of 2009 are a statutory competence for transmission network maintenance and development, including the performance of the commitments for ensuring secure public service, implying secure, timely and quality power distribution at reasonable delivery cost and with environmental consideration. METSO will develop the transmission network as outlined in the Study on Reliability of the Power System. The Study is going to be developed pursuant to the network rules on electricity transmission and the Licence for energy operations.

A) ELECTRICITY TRANSMISSION INFRASTRUCTURE

The Macedonian transmission system is interconnected to Greece, Bulgaria and Serbia. The high-voltage transmission network operates at four voltage levels: 110 kV, 220 kV and 400 kV. The basis of the transmission system is the 400 kV voltage level. The ring of three 400 kV overhead transmission lines connects the largest consumer in the northern part of the country (Skopje) to the generation facilities in the south (Bitola and Negotino). The power supply system of the Republic of Macedonia is interconnected at a 400kV voltage level with two OHTLs and the power supply system of our southern neighbour. The interconnective 400 kV OHTL connection TS Bitola 2 (Republic of Macedonia) - TS Florina (Republic of Greece), as part of the Project for the Development of the Power Supply System of the Republic of Macedonia, is the second 400kV connection between Macedonia and Greece.

Transport Corridor X

400 kV interconnective connection Stip (Macedonia) - Nis (Serbia)

The funding for carrying out this project on the Macedonian side amounts to EUR 14 million, EUR 11 million of which are covered by state guarantees by the Government of the Republic of Macedonia, while JSC METSO will participate with a further EUR 3 million of its own funds. The activities for securing an EUR 11 million loan from the World Bank have commenced. For the purpose of this project, the transmission operators of Macedonia (METSO) and Serbia (EMS) signed a Memorandum of Understanding, specifying that both sides are to undertake activities to secure the funding for the construction of this interconnection, each for their respective part of the interconnection. A Study was carried out for selecting a connection point to the transmission system of the Republic of Macedonia and TS Stip has been designated as the best connection point. We are at a stage of providing physical conditions for the overhead transmission line corridor and we are preparing the activities for the preparation of a study of environmental impact assessment.

Transport Corridor VIII

400 kV interconnective connection Stip (Macedonia) - Cervena Mogila (Bulgaria)

The construction of a 400kV interconnection to the Republic of Bulgaria is the first interconnection at this voltage level between the two countries and it is part of Corridor VIII. It will provide a secure transit of electricity between the power supply systems of the Republic of Macedonia and the Republic of Bulgaria. The activities for the construction of the overhead transmission line on the territory of the Republic of Macedonia up to the border with the Republic of Bulgaria have been completed and it is now undergoing voltage tests. The interconnection has been released into test use since November 2008 and it will start regular operation from 1 January 2009.

The work for finishing the construction of TS Stip continues and it is expected to be completed by 2009. This project is among the priorities of the Trans-European Energy Networks (TEN-E - Decision No1229/2003/EC of 26 June 2003).

We are currently reconstructing and revitalising existing mobile transformer stations and overhead transmission lines with the project for *Construction of Electricity Network Facilities*, improving the performance of the electricity transmission system of the Republic of Macedonia and ensuring secure power supply for consumers. The project has been made possible by a credit line from the EIB, as well as by co-financing by JSC METSO. The project includes the construction of TS Skopje 5 - I phase, TS Petrovec, TS Dracevo and 2x110 kV double-system overhead transmission line from Vrutok to Tetovo, commenced in 2004 and funded by the European Investment Bank (EIB). The construction of TS Skopje 5 - I phase has been completed and the high-voltage equipment for TS Dracevo and TS Petrovec has been procured. The activities for TS Petrovec and TS Dracevo are ongoing, as well as for the 2x110 kV double-system overhead transmission line from Vrutok to Tetovo, with projected completion by the end of 2009.

The World Bank Strategic Plan for Investing in the Southeast Europe Energy Community for Developing the Regional Energy Market includes the *Project for the Development of the Power System of the Republic of Macedonia*. We are expecting the provision of physical conditions for these overhead transmission lines and we are preparing the activities for conducting environmental impact assessment studies.

Component 2: Reconstruction and construction of interconnected overhead transmission lines.

This component includes the planned construction of a new 2x110 kV line from TS Bitola 3 to TS Bitola 4, and the reconstruction of the existing 110 kV TS Skopje 1 - TS Tetovo 1, planned for construction in the 2008-2011 period.

Component 3: Upgrading of the existing EMS system and planning software is an ongoing activity expected for completion in 2008.

Component 4: The upgrade and reconstruction of the existing 110/x kV transmissions stations is in progress and will be completed in 2011.

Component 5: Support of the institutional development, it is in progress and planned to finish in 2011.

For the needs of the new interconnection 400 kV TS Stip - TS Cervena Mogila, we will carry out the Four 400/110 kV Transformer Stations Project for reconstruction of the current operation and protection equipment in the four 400/110 kV transformer stations, i.e. Skopje 1, Skopje 4, Bitola 2 and Dubrovo. The project is in progress and carried out with the remaining funds of the EBRD loan for the abovementioned interconnection to the Republic of Bulgaria in the amount of EUR 6.25 million, EUR 0.6 million co-financed by JSC METSO and EUR 5.65 million from EBRD. The project is expected to be completed in the course of 2010.

B) GAS PIPELINE INFRASTRUCTURE

Extension of the regional gas network (Energy Community - Ring)

The SEE Regional gasification study (Energy Community Ring) entails natural gas supply sources, starting from Russia, the Caspian region and other transit corridors (including LNG), and deals with the specifics of the nine gas markets in the SEE region, such as: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Montenegro, Kosovo, Romania and Serbia.

The report on the SEE natural gas market devotes special attention to the idea of constructing an Energy Community Ring, including: Macedonia, Serbia, Bosnia and Herzegovina, Croatia, Montenegro, Albania and Kosovo. For the Republic of Macedonia, as part of the Energy Community Ring, this will mean a connection to Russian gas through Hungary and Serbia, i.e. Croatia, a possibility for a connection to Caspian gas through Romania (the Nabucco pipeline or the White Stream & PEGP), a connection to Russian gas through Bulgaria (Blue Stream or South Stream/Nord), a connection to regional liquid natural gas terminals (LNG) through Revithoussa-Greece, i.e. Caspian or Russian gas through Greece (TAP pipelines - Trans-Adriatic Pipeline, LG or South Stream/Sud).

The concept of the EC Ring is a result of the development of existing gas branches that may sprout from any separate main gas pipeline and may be perceived as representing a gas pipeline connection of the gasified and non-gasified SEE markets.

For the purpose of the further development of the gas system of the Republic of Macedonia, a public competition was announced on 3 September for carrying out a *Feasibility Study for a Gas System in the Republic of Macedonia with a Design Proposal*. The study will provide technical and economic analysis concerning: the existing state of construction of the gas system, regional, cross-border and other conditions for development, proposals and ways to finish the system in line with conditions in Southeast Europe and wider, and exploring possibilities for gas use in the coming 20-30 year period. The funds required for the study with a design proposal and review of the entire gasification network are in the order of MKD 100,000,000. The 2009 budget of the Ministry of Transport and Communications has earmarked MKD 45,000,000.

Hitherto, the Information for the completed best bid selection has been delivered and already considered by the Government of the Republic of Macedonia.

In accordance with the anticipated project dynamics, in the first half of 2009 a feasibility study will be carried out on the gas system in the Republic of Macedonia with a design proposal for a priority national section for construction. The project documentation for the priority section is going to be prepared in the second half of 2009. The construction of the priority section for the gas system is envisaged for 2011.

A feasibility study with a design proposal for a full gas network, including the priority section, is going to be prepared at the end of 2009. The project documentation will be prepared during the first half of 2011. The construction of the remainder of the gas network in the Republic of Macedonia is a long-term activity to be completed in 2014.

Overall, the regional gasification of SEE offers the possibility for the future development of gasification in the Republic of Macedonia and improving the security of natural gas supply.

Extension of the gas network in the Republic of Macedonia

The gas system of the Republic of Macedonia has been constructed as part of *Corridor VIII*. It has an annual capacity of 800 million m³, with a possible extension to 1200x10⁶m³ by installing another pump station for reaching maximum use of the installation. This activity is scheduled after the construction of the two planned co-generative plants, TE-TO JSC District Heating System of the City of Skopje, Skopje, and ENERGETIKA - JSC Electric Power Generators of Macedonia, since their natural gas

consumption is planned to amount to an additional 800 million m³/year. The length of the national gas pipeline is about 98 km and stretches from the Bulgarian border to Skopje.

Connection points have been installed for possible future branch lines: connections towards Veles, South Serbia, Romanovce and Gostivar, with an overall length of 24.95 km.

C) OIL PIPELINE INFRASTRUCTURE

The Skopje-Thessalonica oil pipeline connects the OCTA Oil Refinery with the Thessalonica Port; it is 212.6 km long and it is intended for transportation of crude oil and supplying the refinery. The oil pipeline was built in 2002, along Corridor X, with a capacity of 360 m³/h, i.e. 2.5 million tons per annum.

INSTITUTIONAL FRAMEWORK

The Ministry of Economy, Sector for Energy, on behalf of the Government of the Republic of Macedonia, has the policy-making role in the energy sector. An Agency for Energy has been established within the Ministry of Economy for the purpose of supporting and implementing the energy policy in the Republic of Macedonia.

The Energy Regulatory Committee regulates issues in the field of energy activities, i.e. monitors the functioning of the energy market, adopts regulations related to the setting of the prices of different types of energy, and prescribes tariff systems and participates in the resolution of disputes among participants on the energy market.

SHORT-TERM PRIORITIES

A) TRANSMISSION INFRASTRUCTURE

The short-term - annual, mid-term and long-term planning and investing in the electricity transmission system of METSO is based on the Investment Programme prepared in accordance with the Study on Reliability of the Power System, and the power supply system analysis for new facilities in the current year, as well as the plans for reconstruction and revitalisation of existing transmission facilities.

Securing finance for the following 400 kV interconnections to the neighbouring power supply systems:

Transport corridor X:

400 kV interconnection Stip (Macedonia) - Nis (Serbia)

Transport corridor VIII:

400 kV interconnection Republic of Macedonia (Skopje) - Kosovo (Kosovo C)

The total investment is projected at EUR 6.4 million, EUR 2,200,000 of which would be JSC METSO own funds, while the remaining EUR 4.2 million are expected to be provided with a loan from international financial institutions.

400 kV interconnection (Macedonia) - (Albania)

The projected cost for the Macedonian share of the project is EUR 16.7 million. On 13 April 2005 in Sofia, the ministers of Albania, Bulgaria, Italy and Macedonia signed a Joint Statement for energy infrastructure cooperation for supporting the implementation of the energy infrastructure projects, including the projects of the Trans-European Networks (TEN-E) in the European-Mediterranean Energy Ring, and establishing a work group of the member countries for implementing specific projects for the construction of the energy infrastructure in the European Corridor VIII. The Feasibility Study of the 400 kV OHTL and 400 kV Submarine Cable Interconnections from Macedonia to Albania and to Italy) has been completed – prepared by SEETEC with the participation of KESH – Albania, METSO – Macedonia, and TERNA –Italy.

The activities of Components II, IV and V continue within the *Project for the Development of the Power System of the Republic of Macedonia*.

Implementation of the Four 400/110 kV Transformer Stations Project

B) GAS INFRASTRUCTURE

Extension of the regional gas network (Energy Community - Ring)

The preparation of the *Feasibility Study for a Gas System in the Republic of Macedonia with a Design Proposal* will define the strategic conditions and the phases of the implementation schedule for the gas system, as well as the appropriate priority routes for fastest implementation. Implementation of said dynamics, i.e. preparation of the Study with a Design Proposal for a Gas System in RM, including a design proposal for a priority national section.

INSTITUTIONAL FRAMEWORK

The institutional framework related to the Trans-European Energy Networks has been detailed in Chapter 3.15 Energy.

MID-TERM PRIORITIES

A) TRANSMISSION INFRASTRUCTURE

Construction of 400 kV interconnection with neighbouring power supply systems, towards the following corridors:

Transport corridor X:

400 kV interconnection Stip (Macedonia) - Nis (Serbia)

Transport corridor VIII:

400 kV interconnection Republic of Macedonia (Skopje) - Kosovo (Kosovo C)

400 kV interconnection: 400 kV OHTL (Macedonia) - (Albania) - securing finance for implementing the interconnection.

An extension is envisaged of the above components of the *Project for the Development of the Power Supply System of the Republic of Macedonia*, running from 2008 through to 2011.

Implementation of the Four 400/110 kV Transformer Stations Project

B) GAS INFRASTRUCTURE

Extension of the regional gas network (Energy Community - Ring)

Implementation of the design proposals arising from the *Feasibility Study for a Gas System in the Republic of Macedonia*, for the purpose of extending the gas network with the neighbouring countries and contributing to the Energy Community Ring.

Extension of the gas network in the Republic of Macedonia

Construction of the first gas ring in Skopje, with full length of 12.5 km, operative pressure of 12 bar, nominal diameter DN 400, a USD 6.3 million investment value, and a 12-month construction period included in the proposed physical plan for 2008-2010.

Construction of the second gas ring in Skopje, with full length of 13 km, operative pressure of 12 bar, nominal diameter DN 300, a USD 5.3 million investment value, and a 12-month construction period included in the proposed physical plan for 2008-2010.

C) OIL PIPELINE INFRASTRUCTURE

An important project in *Corridor VIII* is the *Trans-Balkan Oil Pipeline AMBO*. The purpose of this oil pipeline is to bridge the Balkan Peninsula and thereby facilitate the transport of crude oil for the European oil industry along the stretch between the Black Sea coast and the Adriatic Sea, circumventing the Bosphorus Strait. The oil pipeline is 894.5 km long, 273 km of which are going to pass through the territory of the Republic of Macedonia. Four pump stations have been envisaged (2 in the Republic of Bulgaria and 1 in the Republic of Macedonia and the Republic of Albania, respectively). The capacity is 750,000 barrels a day, amounting to about 30-40 million tons of crude oil a year. The duration of the construction work is assessed at 2.5 years.

The bilateral Protocols for entry and exit points between the Republic of Albania and the Republic of Macedonia, and between the Republic of Bulgaria and the Republic of Macedonia have been signed. In addition, the Law on Ratifying the Tripartite Convention on the Trans-Balkan Oil Pipeline System between the Republic of Albania, the Republic of Bulgaria and the Republic of Macedonia, concluded in Skopje on 31st January 2007, has also been adopted. (Official Gazette of the Republic of Macedonia No. 74/2007). The following remains to complete the Project:

- Closing the financial construction for implementing the project;
- Carrying out an environmental study for the project;
- Developing an action plan for follow-up activities defining activities;
- Establishing project companies in each of the respective countries;
- Signing bilateral agreements.

FOREIGN ASSISTANCE

- For the Trans-European Energy Networks for the June-August 2008 period, the Transmission and Connection Project, the Reconstruction of the Four Transformer Stations: Skopje 4, Skopje 5, Dubrovo and Bitola 2 - with an approved amount of EUR 6.5 million from EBRD - the funds for 2009 are EUR 0.22 million (METSO) and EUR 1.55 million (EBRD loan), and for 2010 they are EUR 0.26 million (METSO) and EUR 3.687 million (EBRD loan).
- Project: *Construction of Power Supply Network Facilities* (Power Substation Project) (TS Petrovec and 2 x 110 kV double-system OHTL from Vrutok to Tetovo) - the funding for 2009 is EUR 2.89 million (METSO) and EUR 2.84 million (EIB loan).
- *Project for the development of the Power Supply System of RM* - the funding for 2009 is EUR 6.6837 million (METSO) and EUR 6.1284 million (World Bank loan); for 2010 they are EUR 2.416 million (METSO) and EUR 4.36 million (World Bank loan); for 2011 they are EUR 0.554 million (METSO) and EUR 1.768 million (World Bank loan).
- *Interconnection OHTL 400 kV Stip (Macedonia) - Cervena Mogila (Bulgaria) and a new Transformer Station 400/110 kV Štip* - the funding for 2009 is EUR 0.74 million (METSO) and EUR 13.62 million (EBRD loan).

3.22 REGIONAL POLICY AND COORDINATION OF STRUCTURAL INSTRUMENTS

3.22.1 LEGAL FRAMEWORK

CURRENT SITUATION

In 2008, the Government of the Republic of Macedonia adopted 2 bylaws relevant for the implementation of the policy of balanced regional development of the Republic of Macedonia. They are the following:

- Decision on criteria and indicators for determining the degree of development of planned regions (Official Gazette of the Republic of Macedonia 162/2008);
- Decision on classifying planned regions according to their degree of development for the 2008-2012 period (Official Gazette of the Republic of Macedonia 162/2008).

The Ministry of Local Self-government has prepared a draft of the Strategy for Regional Development of the Republic of Macedonia, with the stakeholder consultation process starting in January 2009.

Several of activities have been undertaken to develop five-year Programmes for Development of Planning Regions. The process of drafting the abovementioned document in relation to four (4) planning regions was carried out with the technical assistance of the GTZ project. In the Vardar and in the Northeast planning region, the technical assistance was provided by UNDP, while in the Pelagonija planning region, the technical support was provided through PREDA - Prilep, within the Swiss development cooperation.

Aiming at completion the statistical framework for conducting a balanced regional development policy, the State Statistical Office has published the first annual statistical bulletin for the regions in the Republic of Macedonia, presenting the latest statistical data on the regions in the country. The Nomenclature for Statistical Territorial Units, adopted in 2007 by the Government of the Republic of Macedonia was used for the designation of regions.

A Decision for allocating MKD 65,375,889.50 intended for registered planned regions development centres was adopted by the Government of the Republic of Macedonia, which assets are to be disbursed in 2009 for supporting planning regions development centres in exercising their legal competencies.

SHORT-TERM PRIORITIES

In January 2009, the adoption of the Annual Programme for *Attractive Planning regions* is expected, allocating funds of the Budget of the Republic of Macedonia for 2009, as earmarked, in order to achieve the statutory goals and policy for balanced regional development of the country. The programme funds will be used to co-finance 50% of the operative expenditure of planning regions development centres, in the capacity of implementing authorities of the balanced regional development policy. In addition to co-financing the operative expenditure of the development centres in the eight planning regions, we are also funding projects proposed by the Planning Regions Development Councils, both for specific development needs and for rural development. The purpose of this programme is to gradually create conditions for the planned regions in the Republic of Macedonia to become attractive, to overcome successfully the challenges of competition, to attract investments, to develop their resource potential and to create a favourable environment for a more dynamic economic activity development and a better quality life for citizens.

The implementation of the programme will complement the implementation of the GTZ - RED project, approved by the Government of the Federal Republic of Germany, active in four planning regions (East, Southeast, Southwest, and Polog), as well as through UNDP. The above-mentioned donor projects will be implemented to enhance the institutional capacities of the planning regions development centres and the municipalities, as well as to ensure fast access to the IPA within Component III - Regional Development.

In 2009, the Council for Balanced Regional Development will draft and the Assembly of the Republic of Macedonia will adopt the Strategy for Regional Development of the Republic of Macedonia, upon the proposal of the Government of the Republic of Macedonia.

Following the adoption of the Strategy for Regional Development, the Government of the Republic of Macedonia will adopt a three-year action plan for its implementation.

In the beginning of 2009, we plan to adopt two further bylaws stipulating the criteria and indicators for designating special development needs regions, as well as a list of special development needs regions, of vital importance for implementing the Law on Balanced Regional Development of the Republic of Macedonia.

At the level of the eight planning regions, planning regions development programmes will be adopted by the end of 2009.

The State Statistical Office has published the first annual statistical bulletin for the regions in the Republic of Macedonia, presenting the latest statistical data on the regions in the country. The designation of regions made avail of the Nomenclature for Statistical Territorial Units, adopted in 2007 by the Government of the Republic of Macedonia.

MID-TERM PRIORITIES

In the course of 2010-2011, the implementation of the activities in line with the long-term and mid-term plan documents for balanced regional development of the Republic of Macedonia will continue, and the annual action plan for implementing the Planning regions Development Programme for 2010 and 2011 will be adopted.

FOREIGN SUPPORT

The drafting and implementation of the policy for balanced regional development of the Republic of Macedonia has been supported by the Government of the Federal Republic of Germany, through the GTZ RED project. The project provides technical support for the state administration authorities, i.e. the Ministry of Local Self-government and the Bureau for Regional Development, as well as for 4 planning regions (East, Southeast, Polog, and Southwest).

UNDP has been involved since September 2008, providing technical support for the Vardar and Northeast planning regions, with negotiations underway for this project to be extended to the Skopje planning region from 2009.

The Government of Switzerland provided technical support for drafting the Pelagonija Planning region Development Programme, within the Swiss development cooperation. Moreover, this cooperation will provide additional support for implementing priority projects, determined by the Pelagonija Planning region Development Council.

3.22.2 INSTITUTIONAL FRAMEWORK

CURRENT SITUATION

The Council for Balanced Regional Development was established in February 2008 with a Decision of the Government of the Republic of Macedonia (Official Gazette of RM 110/07). The Council is chaired by the Deputy President of the Government of RM in charge of economic issues, while the members are eight ministers, eight mayors - presidents of the planning regions development councils and the President of Local self Government Units Association

At the planning regions level, so far seven (7) planning regions development centres have been established as expert and administrative authorities in the following regions: Polog, East, Southeast, Southwest, Northeast, Vardar and Pelagonija.

In terms of taking on the required staff for performing professional tasks, in the course of December 2008, the development centre managers have been appointed for the Northeast, Polog and Southeast planning regions. In the course of January 2009, the development centre managers will be appointed for the Vardar and Southwest planned regions, following the procedure initiated in 2008. The manager appointment procedure for the development centre of the East planning region has been completed a few months ago, employing five professional staff. In this respect, this institution has been fully staffed, the premises have been provided, and in the meantime the GTZ project hired an expert from Germany for providing technical assistance to the manager and staff of the planning region development centre in exercising their statutory duties.

The funds from the Annual Programme on Attractive Planning regions and from the support of the GTZ RED project will be used to strengthen the capacities of planning regions development centres, the Bureau for Regional Development, and the Ministry of Local Self-government.

The *Bureau for Regional Development* (an authority within the Ministry of Local Self-government) is taking part in planning regional development and implementing regional development plan documents; it prepares the analysis and document basis for drafting the strategic and operative plan documents for regional development, as well as the annual reports on the implementation of the Strategy Action Plan.

Decentralised Implementation System for EU funds (DIS)

Pursuant to the Council Regulation (EC) 1085/2006 establishing an Instrument for Pre-accession Assistance (IPA) and the Commission Regulation for its implementation (EC 718/2008), the Government of Republic of Macedonia defined the institutional framework in order to ensure the utilisation of the EU pre-accession assistance. The Government of the Republic of Macedonia, therefore, appointed: Ivica Bocevski (Deputy Prime Minister of the Government of the Republic of Macedonia in charge of Euro-integrations) as the National IPA Coordinator; Zoran Stavrevski (Deputy Prime Minister of the Government of the Republic of Macedonia in charge of economic affairs) as the Strategic Coordinator; Trajko Slaveski (Minister of Finance) as the National

Coordinator for Accreditation ¹³; and Maja Parnadžieva (State Counsellor on financial systems and international finance in the Ministry of Finance) as National Coordinator for Authorisation ¹⁴. Furthermore, the Government also appointed Radica Kocева (Head of the Central Financing and Contracting Unit - CFCD in the Ministry of Finance) as head of the Operational structure for the first four components¹⁵, and Nataša Mihailova (Deputy in the Sector for Treasury within the Ministry of Finance) as National Fund Manager¹⁶.

On the 30th October 2007, a Framework Agreement between the Republic of Macedonia and the European Commission on the rules of cooperation as regards the financial assistance of the European Commission for the Republic of Macedonia within the implementation of the IPA (Official Gazette of RM 18/08) was signed; it was ratified by the Assembly of the Republic of Macedonia on 31.01.2008. The Framework Agreement has set the foundations for the decentralised implementation of IPA in the Republic of Macedonia.

Pursuant to the Framework Agreement, Decree establishing relations among the authorities and structures for decentralised management of the first four components of the Instrument for Pre-accession Assistance (IPA) of the European Union (Official Gazette of RM 132 of 21.10.2008) was adopted by the Government of the Republic of Macedonia, regulating in detail the relations among the IPA implementing authorities in the Republic of Macedonia.

The Implementation Agreement IPA-financed Projects was signed in line with the decentralised implementation system by the National Coordinator for Authorisation as the Head of the National Fund and the Head of the CFCD for regulating their relations for implementing the DIS in the Republic of Macedonia.

In order to complete the decentralised implementation system for the IPA in the Republic of Macedonia, the line ministries have established IPA units and appointed IPA coordinators.

The Ministry of Finance has established an Unit for Internal Audit of EU-IPA funds, as an independent unit reporting directly to the National Coordinator for Authorisation. This Unit currently employs three persons.

The operational structure for the third IPA component (regional development) has been set up. It consists of: the CFCD in the Ministry of Finance and the IPA structures in the Ministry of Transport and Communications (MTC), the Ministry of Environment and Physical Planning (MEPP), as well as the Unit for Technical Implementation of the Corridor X project within the Agency for State Roads. In order to regulate their relations, the Head of the operative structure and the IPA Coordinator in the Ministry of Transport and Communications have signed an Operational Agreement; as is the case between the Head of the operational structure and the IPA coordinator in the Ministry of Environment and Physical Planning, regulating their rights and duties in implementing IPA funded projects.

Within the implementation of the priority axis 1 (completion of the Corridor X highway) of the Operational Programme for Regional Development, the Agreement for further task delegation has been signed between the MTC and the Agency for State Roads, approved by the Head of the operational structure. Furthermore, a Unit for technical implementation of the Corridor X project has been established within the Agency for State Roads and a Unit coordinator has been appointed.

Within the implementation of priority axis 3, measure 3.1 (construction of a waste water treatment station and an upgrade of the sewage network in Prilep), an agreement for the future operation and maintenance of the waste water treatment station in Prilep has been signed by the Minister of Finance, the Minister of Environment and Physical Planning, the Head of the public water supply company and the Mayor of Prilep.

¹³ The National Coordinator for Accreditation is in responsible for the issuance of national accreditation to the National Coordinator for Authorisation and the National Fund, submission of application to the EC for granting accreditation of the DIS in the Republic of Macedonia, monitoring the continuous satisfaction of accreditation criteria, and in some cases revoking the accreditation.

¹⁴ The National Coordinatoe for Authorisation in charge of the accreditation of the Operational structure for the first four IPA Components, i.e. the Central Financing and Contracting Department within the Ministry of Finance, as well as for accreditation of the Operational structure for Component V (rural development), i.e. the Agency for Financial Support of Agriculture and Rural Development and the Managing Body within the Ministry of Agriculture, Forestry and Water Economy. The National Coordinator for Authorisation in charge of the secure financial management of EU funds, ensuring national co-financing, as well as ensuring an efficient and effective management and control system.

¹⁵ The operational structure for the first four IPA components is in charge of invitation for bids, concluding contracts, and monitoring their performance and remitting the payments to he final beneficiaries.

¹⁶ The National Fund, a unit within the Sector for Treasury, is in charge of the financial management of the funds from the EU pre-accession assistance by managing the respective accounts for separate IPA components/programmes, submitting applications for funds to the EC, authorising the transfer of EU funds to final beneficiaries through the adequate operational structures, managing the liquidity of EU funds and national co-financing. The National Fund is the only authority reporting to the European Commission on the financial management of the funds.

Furthermore, the operational structure for the fourth IPA component (human resources development) has been set up, including: CFCD and IPA structures in the Ministry of Labour and Social Policy (MLSP) and the Ministry of Education and Science (MES).

In order to regulate their relations, the Head of the operational structure and the IPA Coordinator in the Ministry of Labour and Social Policy have signed an Operational Agreement; as is the case between the Head of the operational structure and the IPA coordinator in the Ministry of Education and Science, regulating their rights and duties in implementing IPA funded projects.

The internal auditors in the Ministry of Finance have drafted a self-assessment report of the structures designated for decentralised implementation of the IPA.

On 4th August 2008, the project for carrying out an independent audit to assess the alignment of the national structures for decentralised implementation of the pre-accession instrument with the accreditation criteria has started. In the course of December 2008, the independent auditors issued a positive report on the alignment with the accreditation criteria.

Following the positive opinion by the independent auditors, the National Coordinator for Accreditation issued a national accreditation to the National Coordinator for Authorisation and the National Fund, while the National Coordinator for Authorisation issued accreditation to the operational structures for implementing the first and third IPA Components.

The DIS structure within the Ministry of Finance, in cooperation with the line ministries, has prepared an accreditation package for the third IPA component - regional development; it was delivered to the DG Regional Policy on 19th January 2009. The purpose of submitting the accreditation package is obtaining an accreditation for decentralised implementation of the first and third IPA components with *ex ante* control.

SHORT-TERM PRIORITIES

Completing the structures for balanced regional development

In the coming period, we plan the full completion and strengthening of the Bureau for Regional Development, as well as the full completion and staffing of the 8 planning regions development centres.

The annual programme *Attractive Planning regions* and the support of the GTZ RED project will continue to strengthen the capacities of planning regions development centres, the Bureau for Regional Development, and the Ministry of Local Self-government.

DIS Accreditation

Submitting the accreditation package for the fourth IPA component (Human Resources Development) to the DG Employment and obtaining the accreditation for decentralised management of the funds from the pre-accession assistance, allocated for the third and fourth components are expected.

In the forthcoming period, the Government will continue to strengthen the administrative capacity in the areas of programming, project preparation, monitoring, assessment, and financial management and control for implementing the EU pre-accession programmes.

After acquiring the accreditation, the Government of the Republic of Macedonia will enable the operation of the Decentralised Implementation System in the Republic of Macedonia, in line with the rules of the European Commission and the Manual of the Procedures for the CFCD and the line ministries, including the Guidelines for programme implementation.

MID-TERM PRIORITIES

In the mid-term, as well the Government of the Republic of Macedonia will continue to build the institutional framework and to strengthen the administrative capacities at a central, regional and local level, as well as to prepare for the implementation of the European Union cohesion policy. It implies a clear transfer of responsibilities and strengthening the capacities for coordination among the designated implementation bodies/structures, including local authorities.

FOREIGN SUPPORT

On 18th July 2007, an agreement on a long-term project for technical assistance for capacity building was signed to support decentralised management of the assistance in the Republic of Macedonia. The project officially started on 20th August, and it will run up until July 2009.

The project monitoring is carried out through a Steering Committee, monthly management meetings and weekly meetings with the NAO.

3.22.3 ADMINISTRATIVE CAPACITY

CURRENT SITUATION

DIS structures

With the support of the long-term project for technical assistance - Building Capacities for Supporting Decentralised Management of Assistance in the Republic of Macedonia (a project for technical assistance of DIS structures), the national structures involved in decentralised implementation of the IPA have drafted Manual on Internal Procedures. On 10th July 2008, the National Authorisation Officer approved the Manual on Internal Procedures of the Central Financing and Contracting Department, as well as the Manual on Internal Procedures of the National Fund. A special Manual on Internal Procedures for the IPA coordinators of Component 3 of the IPA (MTC, MEPP, and the Agency for State Roads) has been prepared, as well as an Manual on Internal Procedures for the work of the SPO/IPA coordinator for Components 1 and 4 of the IPA. Guidelines on the implementation of the programmes of line ministries, related to all four IPA components have also been prepared.

Manual on Internal Procedures for the Coordinating Accreditation Officer (CAO) have been drafted, as well as a Manual on Internal Procedures for the second function of the National Authorisation Officer (NAO). The project consultants developed an SEA Monitoring Procedures Manual within the project for technical assistance of the DIS structures.

A Manual on Internal Audit for the auditors in the EU-IPA Funds Internal Audit Unit has been drafted, approved by the National Authorisation Officer in November 2008.

The Central Financing and Contracting Department, the National Fund, The Ministry of Transport and Communications, the Ministry of Environment and Physical Planning, the Ministry of Labour and Social Policy, the Ministry of Education and Science and the Agency for State Roads have all developed work volume analyses for their respective institutions, thus contributing to the Consolidated Work Volume Analysis prepared by the NAO. The work volume analyses are the basis for developing an employment and new employment plan in the institutions where it is necessary. These analyses are also the basis for amending institutional systematisation acts.

The CFCD currently employs 18 persons, two of which on temporary contracts, whereas the National Fund employs eight persons, one of which on a temporary contract.

Following the development of the procedure manuals of the line ministries, there were workshops for presenting the contents of the Manual on Procedures for the IPA Coordinator for Component III and the Manual on Procedures for the SPO/IPA Coordinator for Components 1 and 4.

A number of trainings with respect to the EU funds Decentralised Implementation System have also been conducted, in particular, for the following areas: financial management, project assignment preparation, human resources planning in IPA units, risk management, accounting, EU Practical guide to contract procedures - PRAG, irregularities, monitoring and evaluation of IPA projects, internal control in the DIS, technical implementation of IPA funded projects, twinning and grant workshops etc. Considering some of the comments provided in the independent auditors Report on the alignment with accreditation criteria, the CFCD and the NF have prepared a second draft of their internal procedures manuals and their programme implementation guidelines, dated January 2009.

Furthermore, in line with the comments of said Report, a second draft has been prepared of the Manual on Internal Procedures of the IPA Coordinator for Component III, and the checklists annexed to the Manual have also been revised.

Structures for balanced regional development:

The Regional Development Sector within the Ministry of Local Self-government has 6 staff. The established planning regions development centres have started employing persons in 2008 pursuant to the Law on Labour Relations.

SHORT-TERM PRIORITIES

Staffing and training DIS structures:

In 2009, the procedure for permanent employment of two persons on a temporary contract in the CFCD will be completed, as well as four other employments to fill in the following positions: assistant manager of CFCD, manager of the Programme Monitoring Unit, advisor in the EU Public Procurement Unit and quality control advisor in the General Affairs and Quality Control Unit.

In accordance with the Employment Action Plan, developed according to the Work Volume Analysis, three new employments for the National Fund in the course of 2009 are scheduled.

New employments and training events are also planned for the IPA structures in the line ministries (for detailed information see section on employment).

In the forthcoming period, a number of trainings within the project for technical assistance of DIS structures, in particular for the following areas: EU rules on public procurement, accounting, preparation of project fiches, programming, monitoring and evaluation etc are scheduled.

The procurement of an MIS/accounting system is going to be centralised and from the funds allocated in the IPA Component 1 - Transition Assistance and Institution Building for 2007.

The project tasks for procuring an MIS/accounting system are planned for the second half of 2009/start of 2010.

Staffing the structures for balanced regional development:

New employments in the Sector for Balanced Regional Development in the Ministry of Local Self-government are planned, as well as in the Bureau for Regional Development. Furthermore, employments are planned for the eight planning regions development centres in the course of 2009, following the dynamics depending on the development council of each planning region.

MID-TERM PRIORITIES

The Government will continue to strengthen administrative capacities through intense training and new employment in the DIS structures. There are employment action plans for up to 2011, to be updated in line with annual work volume analyses in all competent IPA implementation authorities. The procurement of an MIS/accounting system is planned for the second half of 2010.

FOREIGN SUPPORT

On 18th July 2007, an agreement on a long-term project for technical assistance for capacity building was signed to support decentralised management of the assistance in the Republic of Macedonia. The project officially started on 20th August, and it will run up until July 2009. The consultants on the project provide support for national structures in establishing a decentralised implementation system for the IPA.

The project monitoring is carried out through a Steering Committee, monthly management meetings and weekly meetings with the NAO.

3.22.4 PROGRAMMING

CURRENT SITUATION

In August 2008, a workshop on identifying projects - logical framework and budget planning was organised.

SHORT-TERM PRIORITIES

Adoption of a National Development Plan (NDP) 2008-2013

The draft of the NDP is ready; there will be public debates including the public sector. The NDP is expected to be adopted by the Government by the end of the first quarter of 2009. The National Development Plan for 2008-2013 entails the following objectives:

- Provide a detailed appraisal of the current economic, social and environmental situation in the Republic of Macedonia;
- Identify key national development priorities up to 2013;
- Formulate strategic and operative development objectives up to 2013.

The key priorities for the Republic of Macedonia up to 2013, wherein it will invest all of its potential, are the following:

- Improved competitiveness of the corporate sector;
- Development of the economic infrastructure;
- Development of human capital;
- Environmental protection;
- Rural and agricultural development;
- Promoting the state as a partner in economic growth.

The partnership principle - indispensable when drafting key programme and operative documents, such as the NDP, operational IPA programmes, as well as the Strategy for Regional Development and the planning regions development programmes, - is going to be enhanced and exercised via cooperation, connection and active participation when drafting acts and projects for regional development at the national, regional and local level. Such cooperation will take place at both the vertical and horizontal level, including business partners, social partners, non-governmental organisations, as well as the authorities established pursuant to the Law on Balanced Regional Development:

- Council for Balanced Regional Development of the Republic of Macedonia (an authority for harmonising and coordinating general policies);
- Planning region Development Council (an authority for implementing regional policy at the planning region level, corresponding to NUTS-3 level units).

Two workshops are planned for January 2009, one of which for preparing project fiches, while the other for programming.

Amendments have been drafted to the Operational Programme for the IPA Component III - Regional Development for 2010-2013, whereas the programming, in addition to the transport and environment section, will also comprise a section on regional competitiveness. Similarly, Component 4 of the IPA will also entail changes to the existing Operational Programme for Human Resources Development for 2010-2013.

MID-TERM PRIORITIES

Following the mid-term evaluation, the need could arise to amend the Operational Programmes for Regional Development/Human Resources Development.

FOREIGN SUPPORT

(See section on foreign support)

3.22.5 MONITORING AND EVALUATION

CURRENT SITUATION

In accordance with the Regulation for Implementation of the IPA 718/2007; aiming to ensure coherence and coordination in the implementation of the separate IPA components, the first IPA Monitoring Committee was held on 21st November 2008 for this purpose. The committee is supported by the *sectoral monitoring committees* for each of the IPA components, aiming to assess and improve the efficiency and quality of the implementation of the programmes and the activities they include.

The first meeting of the informal Sectoral Monitoring Committee for Component 3 of the IPA was held on 10th December 2007, whereas the second informal Sectoral Monitoring Committee was held in June 2008. The third Sectoral Monitoring Committee for Component 3 of the IPA was held in December 2008.

The first informal Sectoral Monitoring Committee for Component 4 of the IPA was held in February 2008, whereas the second one was held in December 2008.

The Monitoring and Evaluation Manual is part of the CFCD Programme Implementation Manual. This Manual is used by the staff in the Programme Monitoring Unit within the CFCD; it entails checklists that the unit staff will use in their daily operations. The monitoring guidelines for the IPA units in the line ministries are provided in the Manual on Internal Procedures of the IPA Coordinator for Component 3, as well as in the Manual on Internal Procedures of the SPO and IPA Coordinator for Components 1 and 4 of the IPA.

The annual reports on the implementation of the Operational Programme for the IPA Component 3 - Regional Development and of the Operational Programme for the IPA Component 4 - Human Resources Development have been prepared and delivered to the European Commission; they list the activities undertaken in the course of 2007 and 2008 for implementing the Operational Programme for Regional Development and the Operational Programme for Human Resources Development.

In line with some of the comments in the Report by the independent auditors for assessing the alignment with the accreditation criteria, a second draft has been prepared of the Manual on Internal Procedures of the IPA Coordinator for Component 3, and the checklists annexed to the Manual have also been revised. The Manual comprises the section related to monitoring and monitoring checklists, also revised in line with the auditors' comments.

In addition, the Work Plans for the Operational Programmes for Components 3 and 4 have been prepared, stating the operations to be undertaken for implementing these two IPA components.

As regards the two major projects financed in the Regional Development component - Completion of the Corridor X Section Demir Kapija-Smokvica, and Construction of a Waste Water Treatment Station in Prilep and Rehabilitation of the Sewage Network - CFCD, in cooperation with the Ministry of Transport and Communications and the Ministry of Environment and Physical Planning, has drafted IPA applications for both of these projects.

As regards the project Completion of the Corridor X Section Demir Kapija-Smokvica, an invitation for bids for preparation of technical documentation and main design for the project has been announced, whereas for the project Construction of a Waste

Water Treatment Station in Prilep and Rehabilitation of the Sewage Network, having completed the invitation procedure, and it is now at the stage of short-listing candidates for preparation of the technical documentation and main design.

A Monitoring and Evaluation Unit has been set up within the Secretariat for European Affairs, as the Secretariat of the National IPA Coordinator (NIPAC). The procedures for this unit have been developed with the assistance of the consultants in the Capacity Building Project for Supporting Decentralised Management of EU Assistance.

The Programme Monitoring Unit within the CFCD currently employs 5 staff, one of which on a temporary contract; the procedure for taking that person on full-time is nearing completion.

In June 2008, a workshop was organised on monitoring and evaluating IPA-funded projects.

Ex ante evaluation has been conducted of the Operational Programme for Regional Development and the Operational Programme for Human Resources Development.

SHORT-TERM PRIORITIES

As mentioned in the section on administrative capacities, the short-term priority is the preparation of the second draft of the Manual on Internal Procedures of the IPA Coordinator for the IPA Component 4 - Human Resources Development, in line with the comments in the independent auditors Report on the Assessment of the Alignment with the Accreditation Criteria, including a separate narrative section, as well as checklists related to monitoring.

The strengthening of the administrative capacities of the Programme Monitoring Unit within the CFCD with two additional staff in the course of 2009 is envisaged.

The organisation of a workshop in the course of January/February 2009 on monitoring and evaluating IPA-funded projects and on-site inspections is also been planned. Another workshop will be organised in February/March 2009, concerning the monitoring and evaluation of Operational Programmes.

MID-TERM PRIORITIES

Conducting mid-term evaluation of the Operational Programme for Regional Development for 2007-2009, as well as of the Operational Programme for Human Resources Development for 2007-2013.

3.22.6 FINANCIAL MANAGEMENT AND CONTROL

CURRENT SITUATION

The National Fund (NF) is an authority in charge of the financial management of the funds from the EU-IPA pre-accession assistance, as well as for national co-financing, operating under the direct responsibility of the NAO. The NF is competent for opening and organising bank accounts, submitting funds applications to the European Commission, securing national co-financing, transferring funds to the Central Financing and Contracting Department (CFCD), as well as submitting financial reports to the European Commission. The CFCD is also responsible for the financial management of IPA funds.

Therefore, a Manual for the financial management by the Finance Unit within the CFCD was prepared. The Guidelines for financial operations in the line ministries have been provided in the Manual on Procedures for IPA coordinators for Component 3, as well as in the Manual on Procedures for the Senior Programme Officer/the IPA coordinator for IPA Components 1 and 4. The CFCD has also prepared an audit track for internal procedures.

In line with some of the comments in the Report by the independent auditors on assessing the alignment with the accreditation criteria, a second draft has been prepared of the Manual on Internal Procedures of the IPA Coordinator for Component 3, and the checklists annexed to the Manual have also been revised. The Manual comprises the section related to financial management and financial management checklists, also revised in line with the auditors' comments.

The Bank Protocol establishing the principles and methods for foreign currency accounts opened with the NBRM has been signed between the CFCD, NF and NBRM for the purpose of managing the funds from Components 1, 2, 3 and 4 of the IPA, in accordance with the decentralised management system. Furthermore, foreign currency accounts for Components 1, 2, 3 and 4 of the IPA have been opened with the NBRM, while the National Authorisation Officer has notified the line DG's, enclosing the required documentation for opening the accounts for the five IPA components.

On 22nd October 2008, a work meeting was held with representatives of DG Regional Policy, discussing the financial agreement for the regional development component.

On 11th December 2008, a meeting was held with DG Employment, discussing the financial agreement for the human resources development component.

Meetings have been held by the risk management committees for Components 3 and 4 of the IPA. In addition, the risk registries in the CFCD, MTC, MEPP, MLSP and MES have been prepared, identifying the main risks in these institutions that could compromise the operation of the Decentralised Implementation System for the IPA.

SHORT-TERM PRIORITIES

As mentioned in the section on administrative capacities, the short-term priority is the preparation of the second draft of the Manual on Internal Procedures of the IPA Coordinator for the IPA Component 4 - Human Resources Development, in line with the comments in the independent auditors Report on the Assessment of the Alignment with the Accreditation Criteria, including a separate narrative section, as well as checklists related to financial management.

Signing the Financial Agreement for Operational Programmes for IPA Component 3 - Regional Development for 2007-2009 and IPA Component 4 - Human Resources Development for 2007-2013, between the Government of the Republic of Macedonia and the European Commission. These agreements shall stipulate the rules for the financial management of the IPA funds in IPA Components 3 and 4.

3.23 JUDICIARY AND FUNDAMENTAL RIGHTS

3.23.1 JUDICIARY

CURRENT SITUATION

LEGAL FRAMEWORK

The Law on Judicial Council is being implemented according to which judges are appointed and dismissed by the Judicial Council as a guarantee for independent and professional judiciary.

In 2008, a Rulebook on criteria for assessment of the performance of judges was adopted and in March 2008, for the purpose of its application, a Form for conducting quantitative and qualitative evaluation of the performance of the judge was adopted. First forms were filled in by 9 pilot courts, and on the basis of the data provided, it is established that approximately 80% of the judges obtain results in accordance with the quality and quantity criteria of their performance.

The new Court Rules of Procedure that entered into force on 1 January 2008 introduced electronic registering of cases and their allocation to judges electronically by a random choice.

In March 2008, with the amendments to the Law on Courts, a Specialised Judicial Department for Organised Crime and Corruption for the whole territory of the Republic of Macedonia was introduced, located in the Basic Court Skopje I. In addition, the competence and the procedure of the Supreme Court of the Republic of Macedonia were laid down, in relation to the remedy of entities in the Republic of Macedonia to demand protection of the right for trial within reasonable time limit and in the framework of the national legal system, and further address to the ECHRI.

The Law on Judicial Service, applied as of 1 January 2009, regulates the rights, obligations and status of the court administration, as well as issues related to the specific status and salaries of the court service employees.

The Law Amending the Law on Court Budget (adopted in August 2008, and applied as of 1 January 2009) transfers the competence of court budget management from the Supreme Court of the Republic of Macedonia to the Judicial Council of the Republic of Macedonia. Amendments to the Rulebook on the organisation and systematisation of the Judicial Council of the Republic of Macedonia providing establishment of the Sector for Court Budget have been adopted.

The implementation of the Law on the Judges' Salary integrating the newest international standards on the status and position of judges is initiated, and the principles laid down in international acts in relation to the independence of judiciary have been observed.

Regarding the implementation of the Law on the Public Prosecutor's Office and the Law on the Public Prosecutors' Council, several bylaws have been adopted.¹⁷ The adoption of the latest Rulebook on the form and the contents of the application form and the procedure of issuing and revoking official identification documents of public prosecutors and members of the Public Prosecutors' Council is currently ongoing. The Amendments to the Law on the Public Prosecutor's Office adopted on 2 September 2008, detail the conditions under which public prosecutors are elected in view of their working experience.

For the purpose of efficient implementation of the Law on Misdemeanours, a Training Plan for the application of the Law on Misdemeanours has been adopted, to be implemented by the Academy for Training of Judges and Prosecutors. In August 2008, the ATJP adopted a Programme for Implementation of the Training consisted of 4 parts (general issues, the Law on Misdemeanours, special procedures and litigation misdemeanour procedure). 150 persons will participate in the training. In accordance with the Programme, the training shall be realised in three forms: local training (7 – 10 two-day workshops), a national seminar and a regional conference. The first training session was held on 2 and 3 October 2008, and the second on 24 and 25 October 2008, on which members of Commissions of the Ministry of Interior took part.

The Law Amending the Law on Litigation Procedure, adopted on 1 September 2008, introduces decisions for acceleration of court procedures, for the purposes of improving the efficiency and promptness of courts, provides a legal opportunity for wider application of the small value disputes procedure and the procedure for issuing a payment order, as special procedures in the framework of the general litigation procedure, and introduces an electronic delivery.

In the Law on Non-Litigation Procedure (Official Gazette of the Republic of Macedonia, No 09/08) a new opportunity is introduced, to transfer part of the non-disputable procedures to the notaries and other public services in order to deliberate the

¹⁷ Rules of Procedure, Rulebook on the organisation and systematisation of work and work assignments, Rulebook regulating the procedure for determining the accountability of a public prosecutor, Rulebook on the manner of supervision over the work and actions of public prosecutors offices and the Rulebook establishing the manner of evaluation of the public prosecutors performance,

courts from non-disputable procedures, due to which the notaries as court representatives will take actions and make decisions in the probate procedure.

In January 2008, amendments to the Law on Enforcement were adopted, addressing the specific legal uncertainties which have been determined by its practical application. In addition, amendments aimed at realisation of the transfer of enforcement cases from courts to enforcement agents are ongoing parliamentary procedure. In order to strengthen the capacity of the enforcement agents in handling their scope of work after court cases have been handed over solely to the enforcement agents, the Rulebook on determining the number of the enforcement agents has been amended, increasing the envisaged number of enforcement agents, and decreasing the number of districts areas of Basic Courts from 16 to 11 on the basis of the actual competence of the Basic Courts.

An Analysis for the application of the Law on Mediation has been made for the purpose of strengthening the mediation as an alternative manner of settlement of disputes on the basis of which further amendments to the Law on Mediation have been suggested, thereby introducing the mediation in criminal, administrative and family disputes as well as the nomotechnical improvement of the text for a better application of the Law.

The Academy for Training of Judges and Prosecutors is fully operational, implementing the Law on the Academy, the Statute and the bylaws in order to create and realise the entire training programmes. Programmes for continuous training for judges and public prosecutors as well as the training programmes for other target groups in accordance with the Framework Programme 2007-2009 are being fully realised. The initial training for judges and public prosecutors is efficiently being conducted. The following bylaws have been adopted: A Rulebook on the commencement, development, order and discipline, disciplinary responsibility and other rights and obligations of the candidates for the initial training at the Academy – theoretical lecturing, the Programme for initial training at the Academy for Training of Judges and Prosecutors in the Republic of Macedonia – theoretical lecturing 2008/2009 is revised. A Rulebook on the manner and procedure of assessment and final examination at the Academy for Training of Judges and Prosecutors and a Final Exam Programme were adopted.

In relation to implementing the Strategy for Information and Communication Technology for the Judiciary, the following activities have been carried out:

The Court Registries are equipped with 150 personal computers with installed programme for electronic input of court cases, and the installation of additional 150 computers in the courts is currently ongoing. A tender for procurement of 600 computers and 600 local network printers (450 samples for the judiciary and 150 for the Public Prosecutor's Office) is ongoing.

In order to improve the IT solution for handling court cases, activities for introducing the Automatic Court Case Management System - ACCMIS have been initiated and will be realised by the end of 2009. The ACCMIS software shall be implemented in the pilot courts as of 1 January 2009, and in the remaining courts as of the end of 2009. Nomenclatures and court procedures are uniformed according to the legal regulation. In the software solution, in addition to the uniformed nomenclatures and Automatic Court Case Management, a Display Module will be implemented, enabling information concerning the court's operations, the allocation of court cases in court rooms and on-line communication with the participants in cases through TOUCHSCREEN kiosk installed in larger courts. The installation of the ACCMIS in the courts will enable education of 2200 court employees.

As of 1 December 2008 in all courts in 36 locations in the Republic of Macedonia, an Internet connection and antivirus protection for 1420 users was introduced.

ICT Centre of the Ministry of Justice has updated the "Legal database" (LDBIS) and uploaded all laws and bylaws of the Republic of Macedonia from the Official Gazette. Currently, the LDBIS contains 6000 laws and bylaws adopted in the Republic of Macedonia in the period from 1940 to 2006.

Training on CIS (Court Information System) to employees (270) in court offices of 29 courts has been conducted.

In August 2008, a survey of each judge and prosecutor was conducted in order to establish their knowledge in the area of IT (Windows, Excel, Internet, e-mail, Power Point etc.), the use of the Court Information System application and on the basis of the data, a Training Plan and Programme for Judges and Public Prosecutors was implemented, the realisation of which is envisaged by the end of 2009 in the framework of the Academy for Training of Judges and Prosecutors and of the IT Centre of the Ministry of Justice.

For the purpose of maintenance of IT Court System, so far 5 information technology specialists were employed in the Basic Court Struga, Appellate Court Skopje, Basic Court Gostivar, Basic Court Skopje 2 and the Basic Court in Kochani.

INSTITUTIONAL FRAMEWORK

The Judicial Council of the Republic of Macedonia has been fully staffed and it operates as such. In 2008, in accordance with the competence to select judges, 118 judges and 12 presidents were elected. 671 out of a total number of 685 judges in the Republic of Macedonia have been appointed. 42 procedures were initiated (37 due to unprofessional and negligent performance of the

judicial function and 5 due to disciplinary procedures) and 21 procedures are completed, which resulted in 10 dismissed judges due to unprofessional and negligent performance, 4 judges have resigned at their own request and 7 procedures have been recessed, whereas 20 procedures are still ongoing. Activities for renovating and adaptation of the Judiciary Council premises have been conducted, where the Council sessions are held electronically.

The Administrative Court commenced to operate with 19 judges in order to reduce the backlog of cases as well as the new inflow, and in March 2008, the Judicial Council extended the systematisation of the Administrative Court with 3 new judges who were appointed in May 2008. The Court currently operates with 22 judges and a President of the Court. It is established of 7 specialised councils. A decision on increasing the number of judges at the Administrative Court with three new administrative judges as well as with 7 new court counsellors has been made. The equipping of the Administrative Court and the process of staffing were completed and 31 court officials were appointed. On the basis of the monthly statistic data in relation to the performance of the Administrative Court, on 1 January 2008, for the period from January to October 2008, 5840 cases are registered as unsolved, 6603 new cases were submitted from a total of 12407 cases, on 31 October 2008, and 3962 cases were solved. A special attention was paid to solving the backlog of cases, and the Administrative Court has efficiently completed all old cases until 2005.

The Appellate Court in Gostivar is fully operational and operating with 12 judges. The equipping of the Court was conducted, as well as the process of staffing and a total of 16 court officials were appointed. The performance commenced in relation to the performance scope in January-October 2008, of a total of 4087 cases in process, until 31 October 2008, 2509 cases were solved. The Public Prosecutors' Council is fully staffed and operational with all its 11 members appointed. President and a Deputy President have been appointed on the Council constitutional session. The Public Prosecutors' Council adopted a decision on establishing the number of public prosecutors necessary for each Public Prosecutor's Office. Activities for providing special premises for the Public Prosecutors' Council are ongoing and activities for its equipping with expert-civil servants were undertaken.

The election of a Public Prosecutor and 9 public prosecutors was conducted in the Basic Public Prosecutor's Office for Organised Crime and Corruption.

Higher Public Prosecutor's Office in Gostivar was established. On 5 November 2008, a Higher Public Prosecutor of the Higher Public Prosecutor's office in Gostivar and 4 Public Prosecutors for this Prosecutor's Office were appointed.

The Academy for Training of Judges and Prosecutors (apart from the Director and the Executive Director) operates with a total of 18 persons.

Regarding the initial training carried out on 15 November 2008, the practical part of the training for the first generation of candidates for future judges and public prosecutors was conducted. The final exam commenced on 1 December and finished on 17 December 2008, and the whole procedure was completed by the end of 2008.

Theoretical lecturing for the second generation of candidates for judges and public prosecutors, which commenced in September 2008 and will last until the end of February 2009, is ongoing. Practical regional lecturing for a total of four Appellate Districts in the state will be carried out. Within the legal deadline - February 2009, it is expected that the Judicial Council and the Public Prosecutor's Council of the Republic of Macedonia shall publish the number of vacant positions in the Basic Courts and Basic Public Prosecutor's Offices.

Continuous training in compliance with the Calendar for September-December 2008 is ongoing. The Academy conducted a special Training Programme for Judges in the newly established Administrative Court of the Republic of Macedonia and in Gostivar Appellate Court. General Training Programmes as well as a Specialised Training Programme for Judges and Public Prosecutors in the Units for Criminal Acts in the Area of Organised Crime and Corruption and for 70 newly appointed judges have been implemented. In 2008, a total of 221 training sessions for judges and public prosecutors, presidents of the courts and chief public prosecutors, experts officials in the area of administration and civil servants in courts and in public prosecutor's offices were carried out. The Framework Programme 2007-2009 has been fully implemented in regard to the topics envisaged. A Framework Programme for continuous professional training of judges and public prosecutors 2009-2010, a planned Training Calendar for continuous professional training for 2009 and a Training Calendar for continuous professional training to Judges and Public Prosecutors for the period from January to March 2009 have been adopted and submitted to all courts and public prosecutor's offices.

In relation to the international cooperation, a total of 45 judges, 20 public prosecutors and 52 representatives of the bodies of the Academy participated in 49 regional and international trainings, conferences, study visits and exchange programmes that represent a total of 890 hours of training. The cooperation with the European Judicial Training Network (EJTN) shall continue. On the plenary meeting held on 29-31 October, the Academy became a member of the Bureau of the Lisbon Network of the Council of Europe. The Academy commenced using the TAIEX instrument, through which a study visit in the Judiciary School in Portugal for the purpose of management of the Academy and one study visit in Brussels for the purpose of higher education studies for judicial

cooperation in the European Union have been organised. Through this instrument, in the first half of 2009, the Academy has been authorised to organise a regional conference on "The role of domestic judges in the application of the European legislation" as well as workshops in relation to the EU legislation - civil matters in the course of 2009.

Regarding the improvement of the judicial infrastructure, a Feasibility Study on developing a new court building in Skopje was developed, and currently, a selection procedure is ongoing for a company to prepare the project fiche. Activities for reconstruction and equipping of 11 courts with extended competence have been undertaken. Construction work on 6 Basic Courts (Ohrid, Struga, Veles, Tetovo, Stip and Strumica) is ongoing and it should be finished by the end of 2008. The Basic Court Prilep is fully reconstructed and equipped with furniture. Activities for construction realisation on Basic Court Bitola were initiated, and the tender procedure for reconstruction activities of three Basic Courts is currently ongoing: Gostivar, Kumanovo and Kocani.

The number of enforcement agents has been considerably increased and a total of 69 enforcement agents, 34 deputy enforcement agents and 39 assistant enforcement agents have been appointed so far. Regarding the supervision over the performance of the enforcement agents from September 2007 to the end of 2008, a total of 162 supervisions were conducted and 44 disciplinary procedures against enforcement agents were suggested. In the period from 1 January 2008 to 10 December 2008, a total of 65921 enforcement requests were submitted, 16332 or 25% of which were realised.

For efficient implementation of the Law on Misdemeanours, in a total of 20 institutions by the end of December 2008, 40 Misdemeanour Commissions were established. Before these Commissions, by the end of December 2008, a total of 128194 misdemeanour cases were recorded, 96555 of which are currently in ongoing procedure while 31029 cases are solved.

STRATEGIC DOCUMENTS

- Strategic plan of the Ministry of Justice, 2009-2011.
- Strategy for Information and Communication Technology, 2007-2010
- Penal Legislation Reform Strategy, 2007.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

In order to ensure continuity in judicial reforms for enhancement of established principles of independent and professional judiciary, the Judicial Council will continue the monitoring and assessment of the performance of judges, submitting quarterly reports on the application of the Rulebook on the assessment of the performance of judges as well as regular reports on the number of judges dismissed due to unprofessional and negligent performance and the number of criminal complaints against judges. The adoption of the Law on the Salaries of the Members of the Judicial Council is ongoing.

For the purpose of improvement of financial stability of the judicial system and enhancement of budget framework and human resources, the Judicial Budget Council will draw up an Analysis on the courts' budget necessities and will adopt a Programme for planning and management of the budget resources in order to enhance the efficiency and independence of funds management. The Judicial Service Council within the Supreme Court of the Republic of Macedonia shall make an Analysis on the state in court administration in order to enhance its capacity through additional employments and the establishment of court official's registry is envisaged.

Regarding the further implementation of the Public Prosecutor's Office reforms, the implementation of the Law on Public Prosecutor's Office and the Law on Public Prosecutors' Council will continue. The adoption of the Law on the Salaries of the Members of the Public Prosecutors' Council and the Law on the Salaries of Public Prosecutors that will determine the salaries and other benefits of public prosecutors and of members of Public Prosecutors' Council of the Republic of Macedonia is currently in process.

Regarding the improvement of operating of the Academy for Training of Judges and Prosecutors, Amendments to the Law on Academy for Training of Judges and Prosecutors will be adopted. The realisation of the Plan for initial training of candidates for judges and prosecutors as well as the realisation of the Plan for continuous training of judges and prosecutors/2009 Calendar will continue. In 2009, selection and systematisation of candidates from the first generation of candidates to have completed the examination 2007/2008 will be conducted. In February 2009, the practical lecturing for candidates of second generation shall be completed, and in September 2009, the initial training of the third generation of candidates for judges and prosecutors will be initiated.

Further implementation of the Law on Enforcement is envisaged in order to fully transfer enforcement cases from courts to enforcement agents.

For the purpose of efficient implementation of the laws harmonised with the Law on Misdemeanours, the performance of the misdemeanour commissions as well as the realisation of the Training Programme for application of the Law on Misdemeanours will be monitored through monthly reports, due to which all the members of the misdemeanour commissions will be trained. The Supreme Court will regularly monitor the performance of courts regarding outstanding misdemeanour cases and it will present a monthly report.

In order to provide equal and improved access to the justice for deprived citizens, the adoption of the Law on Free Legal Aid is ongoing.

In order to provide efficient judicial protection against administrative acts, an Analysis on the application of the Law on Administrative Disputes will be conducted.

In accordance with the directions laid down in the Strategy for Reform of the Criminal Legislation, a new Law on Criminal Procedure and Amendments to the Criminal Code, which should be adopted in 2009, is intensively prepared. The amendments to the Criminal Code will ensure incorporation of the international standards, meeting the international obligations, harmonisation with multiple laws, incrimination of cases of contemporary crime and redefining the criminal policy by setting up penalties.

For the purpose of transferring the investigation procedure to the public prosecutors in compliance with the Penal Legislation Reform Strategy, an analysis on the needs of Public Prosecutor's Office and a Plan of activities for transfer of the investigation procedure to public prosecutors with budget implications will be drawn up.

The Law on Criminal Procedure will introduce considerable novelties which constitute a legal basis for the transfer of the investigation under the authority of the Public Prosecutor's Office.

For the purpose of improvement of the information technology in the judiciary, by the end of 2009, implementation of ACCMIS in all courts of the Republic of Macedonia will be conducted, reports in the pilot units will be generated, and judgements of the Supreme Court as well as all courts will be published on the Internet.

In order to provide efficient application of the Judiciary Information System, by the end of 2009, training on application of JIS for all court officials and judges will be conducted. For maintenance of the IT System in the Judiciary, employment of the remaining 4 IT experts in the BC Kocani, BC Skopje, Appellate Court Stip and BC Kumanovo is envisaged and the procedure for their employment is ongoing.

INSTITUTIONAL FRAMEWORK

Regarding further improvement of the Academy for Training of Judges and Prosecutors, staffing will continue, and for the purposes of the Academy, realisation of public procurement procedure for design, development and implementation of software for the Academy portal is ongoing, thereby a complete database of all participants in the initial training and participants in the continuous professional training will be introduced. By means of this software, web application for the participants on the entire training will be provided, and records of all activities within the Academy as well as initial training lecturing shall be provided, and realisation of the continuous professional training; Thus, all the participants, including the educators and mentors, will have access to all information necessary, and with certain privileges for access. An e-learning platform will be implemented in the software solution, which will provide distance learning. In order to implement and use the software, an adequate hardware for its support must be procured, for which funds have been approved from the budget for 2009.

The Academy has commenced the admission procedure in the library and information system COBISS.MK, through which it will actively participate in the system of categorisation COBISS.MK, it shall use the programme support COBISS for automation of library services and will also use the services of the NUB-VBM Centre.

The Academy for Training of Judges and Public Prosecutors shall continue with the implementation of the Law in relation to the realisation of the continuous professional training of judges and public prosecutors, newly appointed judges and newly appointed public prosecutors, expert associates, court officials (expert and administrative), civil servants (expert and administrative) in the Public Prosecutor's Office and the Ministry of Justice officials, and it shall realise approximately 130-150 training sessions for presidents and members of misdemeanours commissions (150) as well as training to other target groups: notaries, enforcement agents, mediators.

The Programme for continuous training, 2009-2011 includes the following:

1. Special Programmes for:

- Members of the Judicial Council and the Public Prosecutors' Council, judges of the Supreme Court of the Republic of Macedonia and the Public Prosecutor's Office of the Republic of Macedonia. Subject to discussions and debates of these modalities will be issues considering the position, rights, obligations of holders of judicial functions, number, organisation and jurisdiction of courts which provide efficient access to justice for the citizens as well as suggestions on improving the existent legal solutions.

- Appellate Court judges and Higher Public Prosecutor's Offices - independent and in presence of representatives of the Supreme Court and PPO of the Republic of Macedonia, on problems in relation to application of legal solutions, unification of judicial practice, coping with the needs for amendments to the laws and other regulations.
 - Court presidents and Public Prosecutor's Office public prosecutors (efficient judiciary, time management, budget and human resource management, personal data protection, access to public information, public relations)
2. Training of Judges and Prosecutors in the framework of general and specialised programmes regarding matters on regular operation in the application of substantive and litigation laws and in particular, regarding amendments in the judiciary and in practise as well as a special attention to the following topics from the specified legal areas.
 - Criminal and international criminal area, (organised crime, corruption, human and immigrant trafficking, drug trafficking, cyber crime-bank and credit cards fraud/Convention on Cyber crime, Convention on Personal Data Protection-comparative and national experience, Law on Personal Data, special investigation measures, Law on Witness Protection, preventing money laundering, Law on Interception of Communications/ special investigation activities and legal evidence collection – effective sentences, novelties in the Law on Criminal Procedure in relation to the investigation measures and witness protection, joint responsibility of legal persons and a training for judges and prosecutors following the adoption of the new Law on Criminal Procedure and the Criminal Code)
 - Civil and Trade Area (novelties in the Law on Obligations related to industrial property, family violence, corporative management, training to enforcement agents, notaries and mediators and others, bankruptcy, securities).
 - EU Law (EU legal instruments, European Union institutions – composition and competences, European Court of Justice, Court of Justice and national courts of the member-states, cooperation in criminal and civil cases, asylum, migration and border control, cooperation in prevention of terrorism, organised crime etc.)
 3. Training to newly elected and newly appointed public prosecutors (General Programmes and Specialised Programmes)
 4. Training to court administrators (the role of court administrators, time and case management, human resources, budget and financial management, time and case management, communication skills, public relations, information technology)
 5. Training to court expert officials and Public Prosecutor's Office expert officials (distribution of cases, time and case management, ethics, law novelties, judgement composing, EU law)
 6. Training to court civil servants and Public Prosecutor's Office civil servants (distribution of cases, time and case management, ethics)
 7. Educator and mentor training (initial and advanced training)

Special foreign language courses (and IT Training in cooperation with the Ministry of Justice. Furthermore, the Programme for continuous professional training envisages special modules in the area of administrative and misdemeanour law for judges of the Administrative Court of the Republic of Macedonia, judges in misdemeanour department and target group of approximately 150 persons – presidents and members of misdemeanour commissions, special training with other target groups: enforcement agents, notaries and mediators.

The Public Prosecutors' Council, in compliance with its legal competences, will continue to appoint public prosecutors on vacant positions and will monitor the prosecutors' performance.

In order to efficiently implement new reform solutions intended for the Public Prosecutor's Office, equipping of the Public Prosecutor's Council shall be conducted, Higher Public Prosecutor's Office Gostivar, facilities for the new Basic Public Prosecutor's Office for organised crime and corruption as well as staffing of their capacities.

Regarding further improvement of judicial infrastructure in accordance with the project fiche, construction work for renovating and equipping of the remaining courts with extended competence is planned. Furthermore, preparation of project fiche for construction of a new court building in Skopje is envisaged.

After the transfer of competences related to the Judicial Budget to the Judicial Council of the Republic of Macedonia, a transfer of the office of Judicial Budget Council in the Judicial Council will be conducted and the capacities of the expert service of the Judicial Budget Council will be strengthened.

For the purpose of full implementation of the Law on Management of Seized Property, Property Gains and Objects Seized in Criminal and Misdemeanour Procedures, providing facilities and equipment for functioning of the Agency for Handling Seized Property as well as its staffing and implementing training on the application of the Law were envisaged.

MEDIUM-TERM PRIORITIES, 2010-2011

LEGAL FRAMEWORK

In line with the improvement of the judicial system, monitoring and improving of laws and bylaws, improving the system of the statistic monitoring of the court data as well as the strengthening of the capacities for planning and managing the court budget will continue.

In the course of 2009 and 2010, the organisation and functioning of the Administrative Court will be strengthened through activities for analysis of the administrative judiciary and preparation of recommendations for improvement of its practical implementation, improvement of coordination between the Administrative Court and administrative bodies through development of consultative procedures and opening web site, strengthening the judges' capacities in administrative cases through development of a strategy and a programme for continuous education as well as organising training, seminars, study visits.

In the course of 2010 – 2012, support for the Academy for Training of Judges and Prosecutors will be provided for the purpose of audit and improvement of the training programmes as well as for establishing operative e-learning system, implementation of decentralised training sessions at local level and procurement of equipment and literature.

For efficient implementation of the functions of Public Prosecutor's Office, the implementation of the Law on Public Prosecutor's Office and the Law on Public Prosecutors' Council will continue.

In 2010, the implementation of the new Law on Criminal Procedure, adopting the bylaws and implementation of training on application of the Law will continue.

Following the adoption of the Law on Free Legal Aid, bylaws and training on application of the Law will be adopted.

INSTITUTIONAL FRAMEWORK

The Academy for Training of Judges and Prosecutors will continue its further institutional strengthening of the capacities, additional staffing, introducing an Electronic Case Register as well as upgrading the existing library. In order to improve the conditions for delivery of training, necessary conditions for enlargement of facilities of the Academy will be carried out with adaptation of appropriate space or construction of a building.

In 2010-2011, construction activities for renovation and equipping the other 4 Basic Courts with extended competence will continue.

In line with the strengthening of the court administration capacities, continuous court staffing will continue.

In the period of 2010-2011, further strengthening of the Public Prosecutor's Office will be implemented through the establishment of investigation database for organised crime and corruption in the framework of the national intelligence database and training of public prosecutors on its application will be organised.

In order to provide efficient functioning of the Public Prosecutor's Office according to the reform-oriented normative solutions, strengthening of administrative and institutional capacities of the entire prosecution structure will continue.

In 2011-2012, the implementation of the Penal Legislation Reform will continue, for which activities for strengthening of public prosecutors capacities in the implementation of new competences according to the Penal Legislation Reform Strategy will be implemented. Namely, public prosecutors' capacities for management and coordination of an investigation as well as for management of investigation teams comprised of Police, Financial Police and Customs Administration representatives will be strengthened. For that purpose, special training programmes for competent persons in the investigation will be developed, in accordance with their new competences, training, seminars, study visits as well as procurement of special equipment will be organised.

Implementation of the medium-term priorities of the Strategy for Information and Communication Technology in the Judiciary:

- Development and implementation of Document Management System (DMS) – in judiciary institutions;
- Development of a software application for the Ministry of Justice;
- Development of web portal for judiciary institutions for publishing information of public character;
- Upgrading the software application at the Directorate for Execution of Sanctions and introduction of the application in the operation of all penitentiaries in the Republic of Macedonia
- Upgrading the software application in public prosecutor's offices and introduction of the application of all public prosecutor's offices in the Republic of Macedonia
- ICT equipment upgrading for the Training Centre for the staff in the Penitentiary Institutions in the Republic of Macedonia.
- Broadening and maintenance of WAN broadband virtual private network for judiciary institutions in the Republic of Macedonia

FOREGIN ASSISSTANCE

EU Funds

IPA 2007 Component 1 – Assistance for more efficient, effective and modern performance and operation of the Administrative Court. (EUR 1,100,000.00, September 2009 – September 2011). The Project aims at supporting the

implementation of the Judicial Reform Strategy on operational level through implementation of the Law on Administrative Disputes, which transfers competencies for first-instance settlement of administrative disputes from the Supreme Court of the Republic of Macedonia to the newly established Administrative Court. The Project shall provide direct appropriate assistance to the Administrative Court and enhancement of the implementation of the reformed legal framework. More precisely, the assistance aims at the human resources and institutional organisation, especially focusing on the judicial procedure, operational efficiency and effectiveness, court and case management as well as the activity transparency of the Court and its performance.

IPA 2008 Component 1 – Further enhancement of the Judiciary (EUR 1.800.000, 2009-2011). The Project aims at supporting the implementation of investigation base in the area of organised crime and corruption, further enhancement of institutional capacities of the Academy for Training of Judges and Prosecutors, and enhancement of the capacities for implementation of the juvenile justice reform.

IPA 2009 Component 1 - Assistance for implementation of the Criminal Legal System Reform in accordance with the Penal Legislation Reform Strategy (EUR 1,639,000.00, 2010-2012). The Project aims at promotion of the capacities of the Public Prosecutor's Office and the relevant bodies for implementation of the Law in compliance with the new legal framework.

Project CARDS 2004 – Technical assistance to support the development of the Centre for Continuous Education of Judges and Prosecutors – phase II (EUR 1,099,000 September 2006 – September 2008) – this project is continuation of the 2001 CARDS project on assistance to the establishment of the Institution for training of judges and prosecutors; this Project's general objective is provision of technical assistance and support for the Academy for Training of Judges and Prosecutors and building its capacities for provision of required services, as well as provision of its sustainability.

Project CARDS 2005 Twinning – *Support to the Public Prosecutor's Office: Organised crime* (2007-2009, EUR 1,400,000) – oriented towards strengthening the capacities of the Unit for Prosecution of Perpetrators of Criminal Acts in the Area of Organised Crime and Corruption within the Public Prosecutor's Office.

Project CARDS 2006 – *Further Implementation of the Judicial Reform Strategy and Action Plan* (planned EUR 2,200,000) – support to the development of the penitentiary system with technical assistance (or twinning) and a section on procurement and construction (reconstruction of prisons) included.

Loan support from the World Bank in the period of 2006-2011, the Project - Legal and Judicial Implementation and Institutional support. The purpose of the Project is to contribute to the improvement of judicial efficiency and effectiveness within the business environment of the Republic of Macedonia. The Project will support the establishment of the new Judicial Council, administrative inspections and administrative dispute settlements, improvement of bankruptcy management procedures, improvement of the court infrastructure, strengthening court information and technological systems.

In the framework of the Memorandum for Cooperation and Understanding between USAID Human and Institutional Development, World Learning, and the Ministry of Justice – a package recommended interventions arising from the performance assessment of the Ministry of Justice have been conducted.

With support by OSCE, activities for implementing the Law on Juvenile Justice are conducted. In addition, workshops and conferences on criminal law, training and workshops for attorneys, internal quality control and judge performance audit, continuous legal training to young Macedonian law graduates, the role of public prosecutors in investigations and planning workshops for implementing partners of the judicial reform have been realised.

In the framework of OPDAT, a Programme for Prosecutorial Development, Assistance and Training has been implemented, focused on improving the skills of professionals in the system of criminal justice in the areas of suppression of criminal acts of trafficking in human beings, narcotics, money laundering and confiscation, corruption, organised crime, criminal accountability of legal entities, criminal acts against international law, prosecution-court management, guilt bargaining and giving recommendations for legislative amendments.

International Financial Corporation (IFC)

Alternative Dispute Resolution - The Private enterprise Partnership for Southeast Europe Project, IFC (ADR PEP-SE) 2005-2008 - technical assistance for improvement of access to justice by introducing mediation as an alternative means of dispute resolution.

3.23.2 ANTI-CORRUPTION POLICY

CURRENT SITUATION

LEGAL FRAMEWORK

The Law Amending to the Law on Criminal Procedure (adopted in July, 2008) extends the scope of application of special investigation measures which provides an application of these measures for acts for which under four-year imprisonment sentences is also provided, without demanding an existence of organised group of at least three persons. This Law is fully harmonised with the international standards, and in particular with the documents of the Council of Europe and the jurisprudence of the European Court of Human Rights for the use of anonymous witnesses.

The Law on Prevention of Money Laundering and other Criminal Proceeds and Terrorist Financing, adopted in January 2008, providing more efficient system of preventive measures and activities against money laundering has been normatively regulated. This Law lays down the competences and the authorisation of the Directorate for Prevention of Money Laundering and Terrorist Financing, obligations of the entities responsible for undertaking measures and activities for prevention of money laundering as well as of the state bodies that conduct supervision over the application of the measures and activities for prevention of money laundering and of the competent bodies for conducting investigation.

The Law Amending the Law on Public Revenue Office, adopted in July 2008, provides for the State Commission for Prevention of Corruption along with the Public Revenue Office to conduct assessment of the property and material status.

The Law on Management of Seized Property, Property Gains and Objects Seized in Criminal and Misdemeanour procedure, adopted in July 2008, is intended for avoiding and preventing misuse and imprudent conduct in handling seized property, as one of the possible sources of corruption. This Law prescribes the establishment of an Agency for Handling Seized Property.

Amendments to the Electoral Code have been completed, and they have been adopted in October 2008. These amendments aim at increasing the transparency of financing the election campaigns. The amendments enhance the control over income and expenditure and the overall material and financial performance of the political parties during election campaigns and introduce audit of donations obtained by the political parties. These amendments were prepared in cooperation with the political parties, non-governmental organisations and OSCE.

14 bylaws deriving from the Law on Public Procurement were adopted for the purpose of its efficient implementation. In May 2008, the State Commission for Prevention of Corruption adopted the *State Programme for Prevention and Reduction of Conflicts of Interest, along with an Action Plan*. The basic aim of the Programme was to further develop the concept of policies oriented towards the prevention and reduction of conflicts of interests and to establish legal framework laying down the concrete measures and activities of the bodies, officials and other actors to the reduction of conflict of interests and prevention of the consequences. Among other things, the Programme aims at providing recommendations for overcoming the weaknesses detected in certain legal solutions concerning the revealing, processing and solving of the conflict of interest cases as well as providing a more detailed explanation of the conflict of interests and to provide officials with aid and assistance regarding dilemmas of whether a certain activity is conflict of public or private interest. In November 2008, SCPC adopted Information guide for conflict of interest management.

The State Commission for Prevention of Corruption, the Public Revenue Office, the Public Prosecutor's Office of the Republic of Macedonia, the Public Attorney's Office of the Republic of Macedonia, the Judicial Council of the Republic of Macedonia, the Ministry of Interior, the State Audit Office, the Customs Administration, the Financial Police Administration, the Directorate for Prevention of Money Laundering and the State Authority for Geodetic Works, confirming the mutual effort, necessity and interest in giving their contribution to improvement of cooperation as well as coordination of activities in the prevention and suppression of corruption and conflict of interests in the Republic of Macedonia, on 15 December 2007, they signed a Protocol for cooperation in prevention and suppression of corruption and conflict of interests. In March 2008, the Public Procurement Bureau joined the Protocol, and in January 2009, the Public Prosecutors' Council, the State Commission on Public Procurement Complaints and the State Election Commission joined the Protocol.

In September 2008, the Ministry of Interior adopted the Programme for anti-corruption training of officials who directly work on issuing personal documentation.

For the purpose of successful and effective realisation of activities of the Action Plan for Fight against Corruption 2007 – 2011, the Government of the Republic of Macedonia adopted a Budget of the Action Plan for Fight against Corruption, being an Annex to the Plan. The Amendments to the Budget of the Republic of Macedonia for year 2008 (Official Gazette of the Republic of Macedonia No. 90/08) approved the necessary funds for realisation of the activities of the Action Plan for Fight against Corruption for 2008 amounting to MKD 102, 5 million in the framework of a special Budget programme: Fight against Corruption and Organised Crime (GB-Programme).

In order to finalise the first round of evaluation, the Republic of Macedonia has realised the remaining Recommendation for this round concerning the amendment to the Rules of Procedure of the Assembly due to the procedure prescribed for revoking the immunity of the Members of Parliament. In the new Rules of Procedure of the Assembly of the Republic of Macedonia, adopted in July 2008 (Article 53), the conditions and criteria for revoking immunity of the Members of Parliament have been reviewed and detailed, and the First GRECO round of evaluation has been practically closed.

In relation to the Second Round of evaluation, in October 2007, GRECO adopted a Report on Implementation of Recommendations for the Republic of Macedonia, and concluded that two thirds of them have been efficiently implemented. For the purpose of realisation of the remaining recommendations of this round, numerous activities have been conducted.

For the purpose of realisation of Recommendation 1 – concerning the implementation of the new legal regulation for confiscation and seizure of crime proceeds and related issues, including establishment of guidelines and comprehensive training of the authorised officials, as well as data collection for application or misapplication of confiscation and temporary measures, the following activities have been carried out:

- In July 2008, the Law on Management of Seized Property, Property Gains and Objects Seized in Criminal and Misdemeanour Procedures was adopted;
- In the framework of the twining project "Unit for Fight against Organised Crime and Corruption – Public Prosecutor's Office", several seminars were organised, among others, the subject of education were seizure and other temporary measures.
- In cooperation with the Academy for Training of Judges and Prosecutors of the Republic of Macedonia, in the period of 2007-2008, 10 seminars on the subject Seizure and Temporary Measures were conducted, 179 persons participated: 87 judges, 6 public prosecutors and 19 representatives of other institutions.
- Organised by the Civil Servants Agency, on 17 and 31 October 2008, training on anti-corruption measures and ethics in the state service has been conducted, for 50 civil servants employed in the central administrative bodies whose work is related to this issue.

For the purpose of realisation of Recommendation 9 – concerning the introduction of code of conduct for all public officials including clear rules for reporting corruption suspicions in order to provide a training related to these issues, the following activities were conducted:

- The Academy for Training of Judges and Prosecutors, in the period of 2007-2008 realised a total of 9 training sessions on this topic (the Academy, being an organiser for 7 training sessions and a co-organiser for 2 training sessions). 182 participants participated on the training: 89 judges, 77 public prosecutors, 2 expert associates and 16 representatives of other institutions.
- In October 2008, the Civil Servants Agency conducted two training sessions on anti-corruption measures and ethics in the state service for civil servants employed in the central administrative bodies.

For the purpose of realisation of Recommendation 14 – concerning the introduction of consolidated training to the police, prosecutors and judges regarding responsibility of legal persons, in 2008, the Academy for Training of Judges and Prosecutors carried out 2 training sessions on "Responsibility of Legal Persons", with 42 participants (33 judges and 9 prosecutors). Training shall continue in accordance with the Programme of the Academy for Training of Judges and Prosecutors.

In line with the implementation of the Law on Free Access to Public Information, some working material was printed and distributed among which the publication "Public information is for distribution, not for storing", printed out in 1000 samples and distributed directly to the information owners. For the participants of the training and information holders, a poster presenting simplified procedure for requiring public information was printed out.

A new web site of the Commission was introduced, oriented to transparent work and implementation of the Law as well as assistance for a simplified and easier access to a certain database. Number of visitors of this web site per day is from 100 to 120. In addition, 84060 visitors on the Commission web site have been registered since the Law entered into force. This web site contains a list of holders of public information in the Republic of Macedonia with all relevant data (name, surname, telephone, fax, address, e-mail etc.). The Commission has so far registered approximately 1500 information holders; however, this list is continuously updated and supplemented.

INSTITUTIONAL FRAMEWORK

In 2008, intensive activities for a network connection of the State Commission for Prevention of Corruption with the Public Revenue Office have been undertaken. In August 2008, web server and router firewall were provided, and as a result, technical conditions for secure and quality network connection were met. In October 2008, an IT company built new software for recording questionnaires. The system is still ongoing test period, however, data from 1071 questionnaires was recorded. Following this test period, the system will be put into regular operation and as a result both institutions will have control over the data, and simultaneous comparison of data from the PRO questionnaires on the annual tax declarations will be provided.

For strengthening the capacities of the Public Prosecutor's Office to processing criminal acts in the area of organised crime and corruption, according to the new Law on Public Prosecutor's Office, a new separate Basic Public Prosecutor's Office for Organised Crime and Corruption has been established. A total of 9 public prosecutors were elected, and in December 2008, this Public Prosecutor's Office was established.

In December 2008, for the purpose of implementing the Law on Management of Seized Property, Property Gains and Objects Seized in Criminal and Misdemeanour Procedure, an Agency for Handling Seized Property was established and a Director of the Agency was appointed.

The Inter-ministerial Body for Coordination of the Activities in the Fight against Corruption maintains continuous meetings intended for coordination of activities of the competent authorities in the fight against corruption, strengthening mutual cooperation and mutual informing, exchange of information and data as well as realisation of recommendations incorporated in GRECO reports and in the reports of other international organisations. The body shall regularly inform the Government of the Republic of Macedonia on its operation.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

In accordance with the Penal Legislation Reform Strategy, the work on the amendments to the Criminal Code is intensified, in order to make the penal policy more strict and to introduce new criminal acts, especially in the area of corruption, harmonised with the ratified conventions and international standards and to establish criminal responsibility of domestic and foreign legal entities for the criminal act - unlawful intermediation (due to which the GRECO Recommendation No. 12 shall be realised). In addition, a new Law on Criminal Procedure is being implemented, to be adopted in the course of 2009 comprising processing provisions on the seizure, emphasising the extended seizure and incorporation of new international standards in this area.

In order to implement the OSCE/ODIHR recommendations for 2006 and 2008 elections, amendments to the Law on Financing of the Political Parties shall be drafted.

An Analysis of the Law on Conflict of Interests oriented towards reviewing the definitions for conflict of interest and regulating the procedure when acting upon conflict of interest will be performed, in order to initiate its amendments. Activities laid down in the Action Plan of the State Programme for Prevention and Suppression of Conflict of Interest will be continuously realised.

For the purpose of further suppression of corruption, the implementation of the activities from State Programme for Prevention and Suppression of Corruption of the State Commission for Prevention of Corruption, as well as continuous implementation of the Action Plan for Fight against Corruption of the Government of the Republic of Macedonia 2007-2011 will continue.

In terms of implementation of GRECO recommendations in the second round of evaluation, the following activities will be carried out:

1. Training intended for judges, public prosecutors and law enforcement bodies on implementation of legal provisions on confiscation and seizure of proceeds from crime;
2. Analysis of the status and employment conditions of public officials ;
3. Adoption of the Law on the Status and Conditions for Employment of Public Officials – in the direction of establishing a regulatory framework of modern administrative principles applicable for a large number of public officials not being civil servants, to be consisted, to the extent possible, with regulations applicable to civil servants.
4. Adoption of the Code of Ethics for Public Officials and Training on anticorruption measures and ethics in the state service.
5. Adoption of the Code of Conduct of elected and appointed officials in the central authority;
6. Training to the Police, prosecutors and judges on corporate responsibility of legal entities and on implementation criminal procedures against legal entities.

In the context of improvement of the entire cooperation among competent authorities in the fight against corruption, implementation of Memoranda of Cooperation and continuous exchange of data and delivery of certain laws to the SCPC for provision of its opinion will continue. Competent institutions will monthly inform the SCPC of concrete results in the cooperation of cases related to corruption and status information of cases related to corruption and of the cooperation realised through liaison officers.

In terms of strengthening of the public role of the SCPC, the Public Relation Strategy, which is in preparation, will be adopted, and for the purpose of raising public awareness on the legal mechanisms for prevention and suppression of corruption, an investigation

project on public opinion for corruption in the Republic of Macedonia will be drawn up. In 2009, SCPC shall focus on solving the remaining cases.

For the purpose of implantation of the Law on Free Access to Public Information, improvement of the access of citizens to public information, 15 training sessions shall be realised with participation of about 1000 officials for mediation regarding public information. In that context, running a media campaign and organising a conference dedicated to the situation of implementation of the Law on Free Access of Public Information etc will be envisaged.

INSTITUTIONAL FRAMEWORK

In order to efficiently use the linked databases between SCPC and PRO, training to the staff in the SCPC Secretariat and at the PRO shall be carried out.

In the course of the following year, SCPC will pay special attention to the building of its administrative capacities for performing complex and delicate assignments.

The strengthening of the regional and international cooperation of SCPC, the Ministry of the Interior and the Public Prosecutor's Office of the Republic of Macedonia with relevant institutions will continue.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

Implementation of measures and activities contained in: National Programme for Prevention and Suppression of Corruption of the State Commission for Prevention of Corruption 2007-2011, Action Plan for Fight against Corruption of the Government of the Republic of Macedonia 2007-2011, as well as full implementation of the State Programme for Prevention and Suppression of Conflicts of Interests.

INSTITUTIONAL FRAMEWORK

As a medium-term priority, network connection of databases of competent institutions for the fight against organised crime and other forms of criminal activities.

3.23.3 FUNDAMENTAL RIGHTS

PERSONAL DATA PROTECTION

CURRENT SITUATION

LEGAL FRAMEWORK

The Republic of Macedonia has ratified the Council of Europe Convention for the Protection of Individuals with regard to Automatic Processing of Personal Data of 28 January 1981, and the Additional Protocol to the Council of Europe Convention 108/81 for the Protection of Individuals with regard to Automatic Processing of Personal Data regarding the supervisory authorities and trans-border data flows was ratified in 2008.

The Republic of Macedonia has adopted a Law on Personal Data Protection published in the Official Gazette of the Republic of Macedonia No.7/05. Due to full harmonisation of the Law with the Directive 95/46/EC of the European Parliament and the Council of the European Union of 1995, the Council of Europe Convention for the Protection of Individuals with regard to Automatic Processing of Personal Data of 28 January 1981, as well as with the Additional Protocol to the Council of Europe Convention 108/81 for the Protection of Individuals with regard to Automatic Processing of Personal Data regarding the supervisory authorities and trans-border data flows, the Law Amending the Law on Personal Data Protection was adopted in August 2008 (Official Gazette of the Republic of Macedonia, No. 103/08).

The transition period for full harmonisation of the controllers' activities with the Law on Personal Data Protection ended in December 2007. The provisions of the Law Amending the Law on Personal Data Protection provide for a six months transition period from the date of entering into force of this Law. The transition period during which the controllers are to harmonise their work pursuant to amendments of the Law, is provided due to the great number of amendments to the Law on Personal Data Protection and it will last until February, 2009.

The bylaws (Rulebooks) for the purpose of immediate implementation of the amendments to the Law on Personal Data Protection are adopted in November and December 2008, namely: Rulebook on the manner of keeping single records of the misdemeanours, the sanction imposed and the decision adopted in misdemeanour procedures, as well as the manner of getting access to information kept in the records (Official Gazette of the Republic of Macedonia No. 136/08); Rulebook on the manner of carrying out inspection supervision (Official Gazette of the Republic of Macedonia, No 143/08); Rulebook on the application form, the form and contents of the identification card, and the manner of issuing and revoking of the same (Official Gazette of the Republic of Macedonia" No. 143/08) and Rulebook on the form and content of the Application Form for the Notification on personal data

processing and the manner on reporting to the Central Register of Personal Data Collections (Official Gazette of the Republic of Macedonia No. 155/08). The preparation of the Rulebook on Technical and Organisational Measures for Personal Data Protection is in process.

The personal data protection in certain specific sectors is regulated with the following laws:

- Healthcare - Law on Protection of Patients' Rights, Law on Health Records Keeping,
- Judiciary - Law on Criminal Procedure,
- Police - Law on Internal Affairs, Law on State Border Surveillance, Law on National Criminal and Intelligence Database,
- Economy - Law on Industrial Property,
- Finance - Law on Mandatory Social Insurance.

INSTITUTIONAL FRAMEWORK

The Directorate for Personal Data Protection as an independent and autonomous state authority with the capacity of legal person for conducting supervision over the activities undertaken in the course of data processing and protection on the territory of the Republic of Macedonia. It was established in June 2005, in compliance with the Law on Personal Data Protection.

The Director of the Directorate is appointed by the Assembly of the Republic of Macedonia. The amendments to the Law on Personal Data Protection have provided for the Committee on Election and Appointment Issues within the Assembly of the Republic of Macedonia to give the Proposal for election of a Director. The election is performed through a public announcement for a period of five years, with a right to re-election, renewable only once. The Law stipulates both the conditions that the candidate for Director should meet as well as the conditions under which its function can be terminated. The Director has a deputy selected under the same criteria.

The Director submits an Annual Report regarding the Directorate's operation to the Assembly of the Republic of Macedonia, and the reports for 2005, 2006 and 2007 have so far been submitted.

The staffs employed in the directorate have a status of civil servants. The total number of staff in the Directorate, including appointed persons (Director and Deputy Director) was 17 at the end of 2007. The Directorate's priorities considering 2008 with regard to the staff were promotions and new employments. Currently, there is an ongoing procedure for four new employments.

Organisational changes have been made in the Directorate in the course of 2008, by establishing new Sector for Strategic Planning and Policy Analysis, (in order to provide quality approach to policy analysis and definition of the strategic objectives and priorities, having into consideration that the Directorate is newly established body, where strategic planning is essential factor for its operation and development).

In year 2008, the Directorate, is fully operational in terms of:

- carrying out control over the legality of personal data processing by the controllers according to a previously defined Annual Programme for Control and Current Plans as well as carrying out exceptional control over the submitted requests and complaints by legal and natural persons. During the transition period, the controls by the Directorate were mostly educational, in order harmonisation of the controllers' activities with the regulations for personal data protection. In the course of 2008, a total of 72 controls were performed, namely 40 regular and 32 exceptional controls.
- carrying out procedures upon requests for determining the violation of the right to personal data protection, submitted by natural persons or association of citizens where the natural person is a member. With the amendments to the Law on Personal Data Protection, substantial changes have been introduced relating the procedure upon the submitted requests, namely the Committee of the Directorate for Personal Data Protection has been cancelled as its first-instance body, and in terms of the violation of the right to personal data protection upon the submitted requests, in compliance with the amendments to the Law, the Director of the Directorate has the power to make valid decisions. A file for initiation of an administrative dispute can be lodged against the Director's decision to the Administrative Court of the Republic of Macedonia no later than 15 days after receiving the decision. In the course of 2008, the Directorate has received 62 requests in total, out of which a violation of the right to personal data protection has been determined in 36 cases, 22 have been rejected, and four requests are still in procedure. In the course of 2008, due to violation of the provisions related to personal data protection guaranteed by the Law, requests for initiating misdemeanour procedure before the Basic Court 1 - Skopje were filed against five controllers of the Directorate.
- carrying out misdemeanour procedure by the Commission for Decisions on Misdemeanours within the Directorate for Personal Data Protection. Aiming at full harmonisation with the Amendment XX of the Constitution of the Republic of Macedonia and the Law on Misdemeanours, amending the Law on Personal Data Protection, the Directorate has obtained a status of a body in charge of misdemeanours, where to a Commission for Decision on Misdemeanours has been established within the Directorate. The Commission will start acting upon submitted requests for initiating a misdemeanour procedure by the

inspectors for personal data protection and the injured party - natural person, after the transition period of six months during which the controllers are to harmonise their work pursuant to amendments of the Law, namely after February 28, 2009.

- inclusion in the drafting and harmonisation of the relevant legislation of the Republic of Macedonia with the European Union legislation, by providing opinions related to personal data protection, respected by the competent authorities and bodies in the previous two years (participation in the Draft Law on Protection of Patients' Rights, as well as draft laws and bylaws for further regulation of personal data protection in the areas of health, internal affairs, telecommunications, banking etc.) Overall 358 written opinions are given, most of which are related to the harmonisation of the controllers activities for providing technical and organisational measures for secrecy and protection of the personal data processing, issues raised by natural persons, draft laws, international agreements, as well as agreement for transfer of personal data to other countries. The Directorate, implementing its role of an open institution for protection of citizens' fundamental rights, has given 84 opinions by phone related to issues in the domain of personal data protection in different sectors.
- on the basis of submitted complaints and proposals by the citizens mostly related to the violation of the right to personal data protection, the Directorate has established practice of sending recommendations and instructions regarding the personal data protection. In that direction, 16 instructions and recommendations have been given.

In the course of 2008, the following activities were implemented:

- The cooperation with the Ministry of Interior was strengthened for the purpose of operative cooperation between the Republic of Macedonia and the EUROPOL, as well the activities related to the Schengen System;
- The Strategic Plan for the period 2008-2010 was updated with implementing annual programmes;
- An operating Central Register containing personal data collections maintained by controllers was established.
- Bylaws for implementation of the Law Amending the Law on Personal Data Protection were adopted.
- Commission for Decision on Misdemeanours was established;
- Annual Control Plan was prepared;
- The contents of the Directorate's website are continuously being upgraded and enriched.

The Directorate is member of the Spring Conference of the European Personal Data Protection Authorities, the Conference of Personal Data Protection Authorities in Southeast Europe, and a member of the International Conference of Personal Data Protection from 2007. Moreover, the Directorate is a fully-fledged member of the Conference for Personal Data Protection Authorities of the Francophone countries. Within the Council of Europe, the Directorate is member of the T-PD Consultative Committee.

In capacity of an observer country, the Directorate participates at the meetings of the Working Group 29 within the EC Directorate General for Justice, Freedom and Security.

The Directorate actively participates and monitors the activities of several working groups working on personal data protection in specific areas as the International Group for Personal Data Protection in the Telecommunication Sector, the Workshop on demands and actions, and is also a member of the Laboratorio Privacy, the first international group working on raising the public awareness regarding the right to privacy protection.

On a bilateral basis, in 2006 the Directorate signed a Cooperation Agreement with the Office for Personal Data Protection of the Czech Republic, and in 2007 such agreements were signed with the competent authorities for personal data protection of the Republic of Italy and the Republic of Croatia.

The Directorate is included in working groups whose activity is focused on establishing a national criminal intelligence database, activities for establishing the necessary assumptions for concluding operative agreement with EUROPOL, and additionally undertaking all activities aimed at adopting the SELEC Convention.

SHORT-TERM PRIORITIES:

LEGAL FRAMEWORK

By the end of June 2010, the following activities will be realised:

- Full implementation of the Law Amending the Law on Personal Data Protection;
- Full implementation of the bylaws adopted on the basis of the Law Amending the Law on Personal Data Protection;
- Adoption of annual programmes for training and expert assistance to the controllers and processors in the domain of personal data protection;
- Preparation of communication strategies for raising the public awareness;
- Active participation of the Directorate in providing opinions upon the proposed regulations in terms of personal data protection;
- Monitoring the harmonisation of the acts and the activities of the controllers with the regulations for personal data protection.

INSTITUTIONAL FRAMEWORK

By the end of June 2011, the following activities will be realised:

- Strengthening the personnel capacities of the Directorate;
- Training of the Directorate's civil servants regarding the new challenges in the area of personal data protection;
- Strengthening the institutional framework for conducting inspection supervision;
- Giving trainings and expert assistance to the controllers and processors of personal data protection;
- Ensuring additional premises and office equipment;
- Supply of information technology equipment and software packages as well as providing and maintenance of the equipment and the software packages;
- Raising the public awareness regarding the personal data protection;
- Strengthening the cooperation with the Ministry of Interior for the purpose of implementation of the regulations related to both the police and the internal affairs and for establishing operative cooperation between the Republic of Macedonia and the EUROPOL, as well the activities related to the Schengen System;
- Updating the Strategic Plan for the period 2008-2010 with implementing annual programmes;
- Promotion of the functionality of the Central Register for personal data collection;
- Completing and continuous upgrading of the information technology infrastructure to the end of improving both the efficiency and flexibility in the work of the Directorate.
- Analysis of the influence of the regulations for personal data protection.

FOREIGN ASSISTANCE

IPA Component 1: Transition Assistance and Institution Building

In the Project Fiche 1.5 Democracy and Human Rights, technical assistance is envisaged for the Directorate within the operation program IPA Component 1 for 2008. The objective of the technical assistance is further harmonisation of the national legislation with the European Union law, as well as strengthening the capacities of the staff in the Sector for Inspection Supervision as well as raising the public awareness for personal data protection. This will be achieved through organisation of trainings for the staff in the sectors, preparation of guidelines for personal data protection in specific areas, as well as improving the implementation of the regulations related to the specific areas for personal data protection. The project will be realised within the period from 2010 to 2012.

3.23.4 EU CITIZENS' RIGHTS

This area will be subject to alignment in the mid term. Among other things, Community measures set detailed rules on the right of EU citizens to move and reside within the territories of EU Member States. In this regard, specifying the institution responsible for implementation of the Directive (32004L0038) on the rights of citizens of the Union and their family members to move and reside freely within the territories of EU Member States is planned. In addition to the right to free movement, there is a need for further harmonisation in the field of the right to vote. As a medium-term priority, amendments to the Electoral Code will be drafted, for constituting the right to vote for the citizens of other EU Member States. The European Union has a specified legal framework for organisation of the elections for the European Parliament, which guarantees that citizens of the Union residing in a Member State where they are not nationals, may participate in that country's local and parliamentary elections under the same conditions as the nationals of the country. For that purpose, the Act on the Election of Members to the European Parliament needs to be accepted. In addition, according to Article 13 of the Directive (31993L0109) a national contact office should be established.

3.24 JUSTICE, FREEDOM AND SECURITY

3.24.1 MIGRATION

CURRENT SITUATION

LEGAL FRAMEWORK

The Law on Foreigners (Official Gazette of the Republic of Macedonia, No 35/2006 and 66/2007) that regulates the conditions for entry, exit and stay of foreigners in the Republic of Macedonia is applied as of 1 January 2008, and four bylaws have been adopted¹⁸.

In accordance with the provisions of the Law on Foreigners, starting on 1 January 2008, within the framework of the Project "New Personal Documents", the issuance of the following new biometric documents for foreigners was initiated: licence for temporary stay, licence for permanent stay as well as passport for foreigners, all of them with highly protective elements, in accordance with EU recommendations.

The amendments to the Law on Foreigners (Official Gazette of the Republic of Macedonia, No. 117/2008) provides for the Government of the Republic of Macedonia to decide on enabling entry into the Republic of Macedonia of nationals of EU Member States and of the Schengen signatory countries with a valid identification card, if they meet the conditions for entry of a foreigner in the Republic of Macedonia. On the basis of this Law, the Government of the Republic of Macedonia adopted a Decision on enabling entry to the Republic of Macedonia for the nationals of EU Member States and the Schengen signatory countries with a valid identification card (Official Gazette of the Republic of Macedonia, No. 123/2008).

To the end of harmonisation with the most recent amendments to the Law on Foreigners, the Rulebook Amending the Rulebook on driving licence and other licences of foreigners regarding the special identification cards for foreigners was prepared, laying down the form and the contents of the special identification card. At the same time, a Rulebook Amending the Rulebook on Foreigners is prepared, providing for the nationals of EU Member States and the Schengen signatory countries to be relieved from the obligation to possess travel insurance for entry into the Republic of Macedonia.

Regarding the harmonisation with the EU visa regime, see part 3.24.3. Visa Policy.

The Law Amending the Law on Employment and Work of Foreigners is ongoing parliamentary procedure. The amendments are mostly related to the terminological harmonisation with the Law on Asylum and Temporary Protection for the purpose of covering the persons under subsidiary protection as well as to the harmonisation with a provision referred to in the Council of Europe Convention on Action against Human Trafficking ensuring the right to employment of the human trafficking victims who have legal residence on the territory of the Republic of Macedonia

Pursuant to the defined policy for employment and work of foreigners, the Government of the Republic of Macedonia adopted the Decision on determining the work permits quotas for foreigners for 2008 (Official Gazette of the Republic of Macedonia, No. 23/08), whereby facing the need of workforce for the year 2008, the issuance of a total of 3500 work permits was permitted.

The inter-ministerial body for strengthening the refugees and foreigners system prepared a Strategy for refugees and foreigners' integration for the period 2008 to 2015 which was adopted by the Government.

The inter-ministerial group for drafting the migration policy prepared a draft Resolution on Migration Policy 2009-2014. The Resolution defines concrete measures and activities intended for further adjustment of the national legislation and procedures in the area of migration in compliance with the changes in the EU legislation and the international standards.

The following agreements were signed: Readmission Agreement between the Republic of Macedonia and Bosnia and Herzegovina and Readmission Agreement between the Republic of Macedonia and Moldova. The Republic of Macedonia has initiated a procedure for concluding a Readmission Agreement with Ukraine. Procedures for concluding readmission agreements with Montenegro, the Republic of Serbia and the Republic of Island have been initiated.

¹⁸ Rulebook on the manner of issuance of visas to foreigners, cancellation, revoking visas, extension and reduction of their validity, visa forms, the manner of keeping records of the issued, cancelled and revoked visas and visa forms as well as keeping records (Official Gazette of the Republic of Macedonia, No.71/2007), Rulebook on the house rules of the Shelter Centre for Foreigners (Official Gazette of the Republic of Macedonia, No.6/2007), Rulebook on Foreigners (Official Gazette of the Republic of Macedonia, No. 27/2008) and Rulebook on Driving and other Documents for Foreigners (Official Gazette of the Republic of Macedonia, No. 37/2008).

Strategic plan: Within the framework of the Public Security Programme, sub-programme A.2. Border Issues and Migration, among others, activities for prevention of illegal migration, control of movement and stay of foreigners, as well as implementation of the Law on Foreigners will be realised.

INSTITUTIONAL FRAMEWORK

The equipment in the Unit for Foreigners and Readmission within the MI, used in the area of movement is supplemented with 10 new personal computers.

The Shelter Centre for Foreigners provided for in the Law on Foreigners has been established, according to which the foreigners – human trafficking victims are sheltered in separate room in the Shelter Centre for Foreigners of the MI during the decision-making period. The Shelter Centre for Foreigners has been rearranged and divided into two parts, whereupon foreigners – human trafficking victims are sheltered in one part with a capacity of up to 40 persons, while illegal migrants are being sheltered in the other part, which as part of the former Transit Centre had sheltered asylum seekers. Activities for adaptation and rearrangement of the illegal migrants' part are ongoing with funds provided by the MI, with the capacity to have of up to 60 illegal migrants. While sheltering the foreigner in the Shelter Centre, both the sex and age are taken into consideration. Foreigners of same sex shall be sheltered in the same premises, the underage foreigners without escort shall be sheltered in separated unit, whereas families are also sheltered in a separate room.

The Unit for Asylum, Migration, Refugees, Internally Displaced Persons, Persons under Humanitarian Protection and Persons Returned under Readmission Agreement, within the Ministry of Labour and Social Policy, currently has 4 employees.

Inter-ministerial group for creating the migration policy of the Republic of Macedonia was established. The activities of the group are directed at creating the migration policy of the Republic of Macedonia, establishment of a monitoring mechanism for the migration flows, pointing out on the conditions, the issues and the measures which will be undertaken in the area of migration, as well as updating of the migration profile of the country.

For the purpose of more efficient implementation of the Law on Foreigners and strengthening the administrative capacities, the following trainings were realised:

- Training to inspectors competent for foreigners relating to the application of the Law on Foreigners was realised within the framework of the AENEAS Project - sound institutions and common approach to asylum, migration and visa management in the Western Balkans (64 inspectors competent for foreigners were trained);
- Training on the use of the National Visa Information System of the Visa Centre in the Ministry of Interior, carried out by the firm SRCSI from Slovenia;
- Training on the manner of issuing travel and other documents to a foreigner;
- Training to inspectors for foreigners was carried out by the Unit for Foreigners and Readmission relating to the application of the Law on Foreigners and the bylaws.

A Working Plan for preparation of a Project for Central Data Base for Foreigners covering asylum, visa and migration was prepared. After the completion of the preparation phase, the data basis model, the time frame for its setup, the funds (grant and national participation) as well as the Management Committee of the Project shall be defined.

According to the Readmission Agreement with the EU, two meetings of the Joint Readmission Committee were held so far (in June and November), whereby it was concluded that no obstacles have occurred in the agreement implementation.

SHORT-TERM PRIORITIES:

LEGAL FRAMEWORK

In the beginning of 2009, the Rulebook Amending the Rulebook on Driving and other Licences to Foreigners and the Rulebook Amending the Rulebook on Foreigners will be published in the Official Gazette and will enter into force.

For the purpose of further harmonisation with the Regulation (EC) No. 526/2006 of 15 March 2006 establishing the Schengen Borders Code, amendments to the Law on Foreigners are envisaged for 2009 for annulling the travel insurance as a requirement for entry in the Republic of Macedonia. In addition to this, the possibility for amendments to the Law on Foreigners is being reviewed in the current period with regard to other provisions of the Law, in case if it is determined that problems have occurred in the application and the implementation of those provisions. 10 days from the date of entering into force of the Law Amending the Law on Foreigners, an amendment will be made to the Rulebook on Foreigners regarding the annulment of the travel insurance.

In the first half of 2009, the competent ministries will adopt an Action Plan for the Implementation of the Strategy for Integration of Refugees and Foreigners, including the financial implications thereto.

The Assembly of the Republic of Macedonia will adopt the Resolution on Migration Policy 2009-2014.

The Government of the Republic of Macedonia will adopt the updated Migration Profile of the Republic of Macedonia for 2008.

In coordination with the Ministry of Interior, the Ministry of Foreign Affairs, the Ministry of Health and the Ministry of Education, the Ministry of Labour and Social Policy will draft programmes that will provide assistance for reintegration of persons returning to Republic of Macedonia on the grounds of readmission agreements in the first quarter of 2009. Upon drafting the programmes, the necessary funds from the Budget of the Republic of Macedonia will be anticipated as well as the possibility of obtaining foreign assistance.

In the direction of prioritising the policy of voluntary return in the country of origin, transit country or return in a third country, the Ministry of Interior, in the course of 2009, will draft programmes for voluntary return of sheltered persons.

Regarding statistical monitoring of migrants, harmonisation of the national with international standards and classification will be conducted (ISCED-97, ISCO-88, NUTS) as well as implementation of Regulation No. 862/2007/EC of the European Parliament and the Council of 11 July 2007 relating to Community statistics for migration and international protection and repealing Council Regulation (EEC) No 311/76 on the compilation of statistics of foreign workers.

Conclusion of readmission agreements with Montenegro, the Republic of Serbia and the Republic of Island and Ukraine are envisaged for the first half of 2009.

INSTITUTIONAL FRAMEWORK

Technical equipping with 20 computers is required for the regional organisational units within the Department for Foreigners that regulate the movement, stay and control of foreigners in the Republic of Macedonia during 2009. For this purpose, the Ministry of Interior has foreseen funds in the amount of MKD 744,000 within its budget.

Introduction of electronic tracking of all migration occurrences is also planned by the end of 2009.

The staffing of the Unit for Asylum, Migration, Refugees, Internally Displaced Persons, Persons under Humanitarian Protection and Persons Returned by the Readmission Agreement within the Ministry of Labour and Social Policy will be strengthened.

In the course of 2009 an Information office will be opened by the Ministry of Labour and Social Policy where the persons returned on the basis of Readmission Agreements will be informed in terms of their rights.

In the second half of 2009, an Integration Centre provided for in the Strategy for Integration of Refugees and Foreigners in the Republic of Macedonia will be established, intended for facilitation of the integration process of both the refugees and foreigners in the Republic of Macedonia.

The training to the Border Police in accordance with the amendments to the Rulebook on Foreigners will start immediately following its publication in the Official Gazette of the Republic of Macedonia.

With regard to strengthening the system for data collection in the area of asylum and migrations, a Feasibility Study will be prepared in January 2009, funded by MKD 18,000,000 provided from Norway.

The Project for Development of the Central Database for Foreigners covering asylum, migration and visa issues will start by the end of the first trimester of 2009.

MEDIUM-TERM PRIORITIES:

LEGAL FRAMEWORK

By the end of 2010 and in the direction of full harmonisation of the national legislation with Council Directive 32003L0109 concerning the status of third country nationals who are long-term residents, the need for amending the Law on Foreigners emerges with anticipating provisions for excluding the possibility for persons under subsidiary protection to obtain permanent stay.

At the same time, in the direction of full harmonisation with the Council Directive 32004L0114 on the conditions of admission of third-country nationals for the purposes of studies, pupil exchange, unremunerated training or voluntary service, it is necessary to amend the Law on Foreigners relating to anticipation of provisions for issuing temporary stay permit for volunteers and persons attending training free of charge.

The measures and activities laid down in the Resolution on the Migration Policy of the Republic of Macedonia will be continuously implemented.

Upon the accession of the Republic of Macedonia in EU, conditions will be created for transposition of the following Directives:

- Recommendation of the Council of 27 September 1996 (31996H1014) on combating the illegal employment of third country nationals;
- Council Directive (32003L0110) on assistance in cases of transit for the purpose of removal by air;
- Council Decision (32001L0040) on the mutual recognition of decisions on the expulsion of third country nationals. The reasons for expulsion laid down in Article 3 of that Directive are provided for in the Law on Foreigners. However, full application of the said Directive will be enabled by obtaining the membership status.
- Council Decision 2004/573/EC of 29 April 2004 (32004D0573) on the organisation of joint flights for removals from the territory of two or more Member States, of third country nationals who are subject to individual removal order.
- Council Decision (31996Y0919) (15)) on establishing cooperation with the Centre for Information, Discussion and Exchange on the Crossing of Frontiers and Immigration (CIREFI). Following the accession in EU, the Republic of Macedonia can define its representatives in CIREFI, whose essential objective is assistance to the Member States in effectively studying legal immigration, in preventing illegal immigration and illegal stay, fight against immigration crime, facilitator networks, in better detecting forged documents and in improving expulsion practice.
- Council Regulation EC 377/2004 of 19 December 2004 (32004R0377) on the creation of an immigration liaison officers network. In accordance with the existing regulation in the Republic of Macedonia (Law on State Border Surveillance, Law on Police) legal basis exists for posting liaison officers to other countries on the grounds of ratified international agreements. However, inexistence of cooperation agreement with the EU Member States hinders the application of this Directive.
- Council Decision (32005D0687) on the format for the report on the activities of immigration liaison officers networks and on the situation in the host country in matters relating to illegal immigration.
- Council Decision of 16 March 2005 (32005D0267) establishing a secure web-based Information and Coordination Network for Member States' Migration Management Services
- Commission Decision of 15 December 2005 laying down detailed rules for implementation of Council Decision 2005/267/EC.

INSTITUTIONAL FRAMEWORK

The Central Database for Foreigners covering asylum, migration and visas issues will be established by the end of the first half of 2010. Funds from the budget of the MI are provided to that end in the amount of MKD 30,000,000.

Also, training to the end users of the Database is provided for in the Plan and the organisation of the Project for Development of the Central Database for Foreigners in the first half of 2010.

For the purpose of improving the manner of working, trainings will be further continued for more efficient implementation of the novelties in the legislation following the transposition of the EU directives referred.

The staffing of the Unit for Asylum, Migration, Refugees, Internally Displaced Persons, Persons under Humanitarian Protection and Persons Returned by the Readmission Agreement within the Ministry of Labour and Social Policy will be strengthened in the course of 2010 and 2011.

FOREIGN ASSISTANCE:

The preparation of the Feasibility Study for Development of the Central Database for Foreigners, covering asylum, migration and visas issues requires MKD 18,000,000 provided by foreign assistance, namely by Norway.

3.24.2 ASYLUM

CURRENT SITUATION

LEGAL FRAMEWORK

The amendments to the Law on Asylum and Temporary Protection (Official Gazette of the Republic of Macedonia, No. 49/03 and 66/07) whereupon a new category of persons "under subsidiary protection" is introduced with recognised right to asylum, entered into force in July 2008. The amendments enabled partial harmonisation with Council Directive 2004/83/EC of 29 April 2004.¹⁹

The Law Amending Law on Asylum and Temporary Protection (Official Gazette of the Republic of Macedonia, No. 142 of 10 November 2008) provides a possibility for the party to initiate a second-instance administrative dispute before the administrative court, thus ensuring the independence of the appealing procedure. The other amendments refer to repealing of the category

¹⁹ Council Directive 2004/83/EC of 29 April 2004 on minimum standards for the qualification and status of third country nationals or stateless persons as refugees or as persons who otherwise need international protection and the content of the protection granted

"person under humanitarian protection" as well as to establishing the right of the Government of the Republic of Macedonia to make a List of safe countries of origin. Despite this, a normative intervention is performed with the amendments, for the purpose of terminological harmonisation with the provisions of the Law on Foreigners, the Law on Employment and Work of Foreigners and the Law on Social Protection.

The Law Amending the Law on Employment and Work of Foreigners is ongoing a parliamentary procedure, thereby a terminological harmonisation with the amendments to the Law on Asylum and Temporary Protection is made, according to which persons under subsidiary protection will be taken into consideration.

The Ministry of Interior adopted a Decision Amending the Decision on the Prices of the Application Forms applied within the MI, determining the price of the application form for identification card of persons under subsidiary protection (Official Gazette of the Republic of Macedonia, No. 108/08).

Regarding the strengthening of the integration system for the refugees, a Strategy for Integration of Refugees and Foreigners in the Republic of Macedonia for the period 2008 to 2015 was prepared and adopted by the Government of the Republic of Macedonia.

The Ministry of Labour and Social Policy adopted the "Compulsory instructions for application of the Rulebook determining the amount of one-off financial assistance" and "Mandatory instructions for determining the right to financial assistance necessary for providing housing premises" which closely define the acting of the Centres for Social Work in terms of the requests for using the right to one time financial aid and the right of financial aid necessary for providing housing premises.

A Memorandum for Cooperation was concluded between the Macedonian Orthodox Church ,Humanitarian Organisation- "Milosrdie", JRS-Brusel (Jesuit Refugee Service) and the Ministry of Labour and Social Policy aiming at implementation of the integration process of the refugees in the Republic of Macedonia.

The Ministry of Interior adopted the guidelines for the Macedonian Police with regard to the actions upon the asylum requests and it also made a revision of the existing contents of the Information flyer/brochure for the asylum seekers rights, aimed at the harmonisation of the existing legal regulation, thus putting out of force the Rulebook on the procedures for implementation of the Law on Asylum and Temporary Protection.

The Department for Asylum within the Ministry of Interior has started the issuance of:

- documents to asylum seekers, without charging a fee for the given service, in accordance with the international standards;
- identification card and travel documents for the persons with refugee status;
- identification card for a person under humanitarian protection. For the latter two types of documents, a fee is to be paid, determined by the Decision Amending the Decision of the Prices of the Application Forms applied in the MI (Official Gazette of the Republic of Macedonia, No. 108/08).

STRATEGIC DOCUMENTS

National Action Plan of the Republic of Macedonia for Migration and Asylum.

INSTITUTIONAL FRAMEWORK

Starting from 2007, the Republic of Macedonia undertook its obligations towards the new asylum seekers, thus these persons were provided with institutional accommodation, on the entrance of Chichino Selo. Starting from 5 June 2008, the Reception Centre for asylum seekers, being built with funds from the CARDS 2002 Programme, was opened and put into operation in the village Vizbegovo near Skopje. EUR 60,000,000 was used from the allocated EUR 130,000,000. The equipment provided so far has created minimum conditions for smooth operation of the institution. The rest of the essential equipment for the needs of the Centre will be provided by the budget of the MLSP. The Reception Centre is managed by the Ministry of Labour and Social Policy and is currently staffed with 5 employees.

In accordance with the reform process of the MI, a change in the organisation and the systematisation of the Department of Asylum has been made. The new setup envisages increasing the number of executive officers and division of their competences in accordance with the new asylum policies of the EU.

To the end of strengthening the administrative capacities of the Department for Asylum, building reconstruction was carried out with the sum of MKD 112 000 from the budget of the Ministry of Interior, thereby separating the Department for Asylum physically from the neighbouring unit, thus providing a closed space – waiting room for the parties.

Software solution 'Database of asylum seekers and refugees with recognised status' has been drafted, installed and put into operation in the Department for Asylum within the Ministry of Interior.

The Ministry of Interior adopted a Plan for Training of Police Officers at Border Crossing Points, the Sectors of Internal Affairs and the Police Stations having general competence in the sphere of asylum. The Plan was implemented by the end of 2008 and covered 130 police officers.

A Working Plan for preparation of a Project for Central Database for Foreigners covering asylum, visa and migration issues was elaborated.

SHORT-TERM PRIORITIES:

LEGAL FRAMEWORK

In the course of 2009, a further harmonisation is to be made of the Law on Asylum and Temporary Protection with the Council Directive 2004/83/EC of 29 April 2004, as well as harmonisation with the Council Directive on minimum standards on procedures in Member States for granting and withdrawing refugee status, adopted on 1 December 2005 (2005/85/EC).

Since the amendments to the Law on Asylum and Temporary Protection (Official Gazette of the Republic of Macedonia, No. 142/08) comprise no transitional provisions, in February 2009, the Department for Asylum within the MI in coordination with the UNHCR will adopt guidelines for recognition and extension of the right to asylum due to subsidiary protection.

For the purpose of further harmonisation with the Directive 2004/83, by the end of February 2009, amendments will be made to the "Rulebook on the application form for recognition of the right to asylum and the manner of fingerprinting and photographing asylum seekers, the form and the procedure for issuance and replacement of documents of the asylum seekers and persons with recognised right of asylum or temporary protection in the Republic of Macedonia and on the manner of keeping records", with which the form and the contents of the personal identification card for person under subsidiary protection will be defined.

Following the adoption of the said Rulebook, the Ministry of Interior will adopt new amendments to the Decision Amending the Decision of the Prices of the Application Forms applied by the MI (Official Gazette of the Republic of Macedonia, No. 108/08), which will define the amount of the application form of the personal identification card for person under subsidiary protection.

In order to strengthen the process of introducing legal instruments for guaranteeing the rights of the persons needing subsidiary protection, the Law on Social Protection is envisaged to be adopted in the first half of 2009.

The Ministry of Interior will submit a Draft List of safe countries of origin to the Government of the Republic of Macedonia by the end of February 2009 at the latest.

INSTITUTIONAL FRAMEWORK

In the course of February 2009, the issuance of personal identification cards for persons under subsidiary protection will be initiated.

At the beginning of 2009, a Working Group will be established in which members of the MI, the MLSP and UNHCR will participate and work on preparation of the amendments to the Law on Asylum and Temporary Protection.

The Project for development of the Central Database for Foreigners covering asylum, migration and visas issues will start by the end of the first trimester of 2009.

An Integration Centre will be established by the end of 2009, through which the integration of the refugees in the Republic of Macedonia will be carried out.

On the basis of a Memorandum for Cooperation with the nongovernmental sector, the Ministry of Labour and Social Policy will provide educators to conduct training to the persons employed in the Reception Centre. The training is envisaged to be implemented continuously by the end of 2009. In addition, activities for planning and organisation of trainings with the Netherlands and Denmark are initiated in this sphere.

For the purpose of completing and staffing within the institutions in charge for conducting the asylum and migration policy, additional staffing is envisaged in 2009 for the Department for Asylum within the MI.

In the first half of 2009, a technical equipment for the Reception Centre for the asylum seekers will be provided, funds for which will be provided by the Budget of Republic of Macedonia in the amount of MKD 2,000,000.00.

The Reception Centre for asylum seekers will have additional staff by the end of 2009, funds for which shall be provided from the Budget of the Republic of Macedonia.

By the end of the first quarter, the number of police officers covered with the Plan for Training of Police Officers at Border Crossing Points, the Sectors of Internal Affairs and the Police Stations having general competence in the sphere of asylum is envisaged to be increased, reaching total of 200 police officers.

In order to strengthen the administrative capacities of the Department for Asylum, an agreement is reached with the UNHCR for donation of funds, namely equipment in total value of approximately MKD 200,000.00 in the first trimester of 2009 (audio and photo equipment, information technology, 4 computers, 4 printers, reference material, including trainings). Part of the promised equipment has already been delivered by the UNHCR, and the preparation of the Subcontract for Financial Support for 2009 is ongoing.

In the first half of 2009, the competent ministries will adopt an Action Plan for the Implementation of the Strategy for Integration of Refugees and Foreigners.

MEDIUM-TERM PRIORITIES:

LEGAL FRAMEWORK

Monitoring and harmonisation of the national legislation according to the amendments in the sphere of asylum with the EU legislation.

INSTITUTIONAL FRAMEWORK

The Central Database for Foreigners covering asylum, migration and visas issues will be established by the end of the first half of 2010. Funds from the budget of the MI are provided to that end in the amount of MKD 30,000,000.

Simultaneously, training to the end users of the database is provided within the Plan and the organisation of the Project for development of the Central Database for Foreigners in the first half of 2010. Additional funds will be provided from the Budget of the Republic of Macedonia or from foreign assistance, if necessary.

For the purpose of completing and staffing within the institutions in charge for conducting the asylum and migration policy, additional staffing is envisaged for the Department for Asylum within the MI.

In the direction of promoting the manner of work, trainings to the staff employed in the Reception Centre will be successively continued.

The staffing of the Unit for Asylum, Migration, Refugees, Internally Displaced Persons, Persons under Humanitarian Protection and Persons Returned by Readmission Agreement within the Ministry of Labour and Social Policy is envisaged to be strengthened in the course of 2010 and 2011.

Continuous implementation of the Strategy for Integration of Refugees and Foreigners.

The Ministry of Labour and Social Policy will put efforts for complete undertaking of the obligations in the part of taking care for the persons under subsidiary protection, gradually by the end of 2011.

FOREIGN ASSISTANCE:

The preparation of the Feasibility Study for Development of the Central Database for Foreigners, covering asylum, migration and visas issues requires MKD 18,000,000 (eighteen millions) provided by foreign assistance, namely provided by Norway.

3.24.3 VISA POLICY

CURRENT SITUATION

LEGAL FRAMEWORK

In the first half of 2008, the Republic of Macedonia abolished unilaterally the visas for Australia, while the visas for Albania and Israel were abolished bilaterally. Several bilateral agreements were also concluded, namely: Agreement between the Government of the Republic of Macedonia and the Government of Russian Federation on Conditions of Mutual Travels of Citizens of the Republic of Macedonia and the Russian Federation (Official Gazette of the Republic of Macedonia, No.119/08, entered into force as of 31 October 2008) and Agreement between the Republic of Macedonia and the Kingdom of Norway for visas facilitation; the procedure for acquiring similar agreement with the Swiss Confederation is in its final phase. In accordance with the Agreement for visa facilitation with the European Union, the Republic of Macedonia has initiated procedures for signing such Agreements with Great Britain, Denmark, Island and Ireland.

With the Law Amending the Law on Foreigners²⁰, amendments were made to the legal regulation related to the issue regarding the general conditions for foreigner's entry in the Republic of Macedonia. In addition, they are related to the possibility of the Government of the Republic of Macedonia to determine entry and exit of the Republic of Macedonia for nationals of certain EU Member States and Schengen signatory countries with a valid personal identification card, if they meet the general conditions for entry of foreigner determined by the provision of this Law. On the basis of these amendments, the Government of the Republic of Macedonia adopted the *"Decision on enabling entry in the Republic of Macedonia to citizens of EU Member States and Schengen signatory countries with the use of valid personal identification card"*²¹ on 29 September 2009. The Decision entered into force on 3 October 2008.

The Republic of Macedonia has completely liberalised the visa regime with all countries listed on the White List of the European Union, namely for the following countries, special administrative regions as well as subjects and territorial authorities unrecognised as countries: Andorra, Brazil, Brunei, Chile, Costa Rica, Ecuador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, El Salvador, Singapore, South Korea, Uruguay, Hong Kong and Macao. The Republic of Macedonia revoked the visas for the abovementioned countries for a period of one year, and if case of positive experiences, this measure will be continuously enforced. This Decision is applied as of 1 October 2008.

At the same time, the Government of the Republic of Macedonia has provided for each foreigner having C – type Schengen visa to enter in the Republic of Macedonia without possessing Macedonian visa, but the length of stay is limited in line with the conditions listed in the Schengen visa. The Decision mentioned above does not refer to the national visas issued by the Schengen countries, namely the Schengen visa needs to be valid for the overall Schengen zone. The Decision will be implemented in period of one year, namely it will be valid until 1 October 2009, with the possibility to be extended in the following period.

In August 2008, the Government of the Republic of Macedonia provided non-visa entry to the Republic of Macedonia for holders of Kosovo travelling documents.

With the new Law on Foreigners which entered into force on 1 January 2008, the Republic of Macedonia abolished the issuance of visas at the border crossing points, except in exclusively humanitarian and extraordinary situations, including the Republic of Albania thereto, by signing the non-visa regime.

INSTITUTIONAL FRAMEWORK

The Ministry of Foreign Affairs is competent authority regarding the deciding on visa issuance as well as implementation of the visa issuance procedures for entry in the Republic of Macedonia. The implementation of the visa policy is in the sphere of the Directorate for Consular Affairs within the MFA. In accordance with the new systematisation, the Directorate for Consular Affairs (staffed with 25 employees) is being reconstructed in three organisational forms: Sector for Consular Affairs and Borders, Sector for Visa Regime and Diaspora Sector.

Regarding the staffing of the Visa Centre, the Visa Centre has employed 10 persons by the end of 2008, two of which are IT experts in charge for the system maintenance. The new visa stickers started to apply as of 1 May 2008, when all the Diplomatic and Consular Missions (DMCP's) started with their issuance, while the previous were completely revoked. The process of establishment of the new Visa Centre and N-VIS in the MFA, as one of the conditions for initiating the full liberalisation process of the visa regime in the Republic of Macedonia with the European Union, started in February 2008, when the first pilot connection of the Consular Mission of the Republic of Macedonia in Thessaloniki was realised, after which 35 Diplomatic and Consular Missions (DMCP's) were successively connected by 31 December 2008. The software application was finished and put into operation by 31 August 2008. Training to 16 employees - trainers engaged in the Visa Centre and the Unit for Foreigners in MI was conducted because in exceptional cases, visas are also issued on the border crossing points. The beneficiaries of the training obtained certificates and are now trainers to all visa agents in the diplomatic-consular offices of the Republic of Macedonia and to other subjects in the process of issuance of Macedonian visas to foreigners.

At the same time, the Visa Centre within the MFA was connected with the 8 most frequent border crossing points of the Republic of Macedonia as well as with the Employment Agency of the Republic of Macedonia by 31 December 2008.

Visa liberalisation

²⁰ The Law Amending the Law on Foreigners (Official Gazette of the Republic of Macedonia, No.117/2008), prescribes precise legal frames for its successful practical implementation, in the part related to the general conditions for entry of foreigners in the Republic of Macedonia, as well as in the part related to the issues technically conditioned by the warranty of some documents issued by the system of the Project "New Personal Documents".

²¹ Official Gazette of Republic of Macedonia, No.123 of 02.10.2008

The Agreement for liberalisation of the visa regime between the Republic of Macedonia and the European Union entered into force on 1 January 2008 as a transitional phase towards the establishment of non-visa regime for the citizens of the Republic of Macedonia. A Joint Committee meeting regularly has been established in order to monitor the implementation of the Agreement.

The Dialogue for liberalisation of the visa regime between the Republic of Macedonia and the European Commission started on 20 February 2008. The Dialogue is held on the basis of the Roadmap comprising the technical requirements (Block 1 – Security of Documents; Block 2 – Border Management, Asylum and Migration; Block 3 – Public Order and Safety; Block 4 - External Relations and Fundamental Rights) which are to be fulfilled for the purpose of abolishing the visa regime of the European Union towards Macedonia.

An Initial Report (Assessment) for fulfilling the Roadmap requirements was published on 28 November 2008, noting substantial progress in the implementation of the Roadmap by the Republic of Macedonia. The initial report marked the finalisation of the first phase of the dialogue for visa liberalisation.

SHORT-TERM PRIORITIES:

LEGAL FRAMEWORK

Commencement of the activities for harmonisation of the visa provisions with the European Union 'Black List' are expected to be completed with the admission of the Republic of Macedonia in the European Union

Activities for finalisation of the final text of the Manual for Operation of the Visa Centre are currently ongoing, to be finished by the end of March 2009.

Negotiations with the Republic of Bulgaria are envisaged to start in the first half of 2009 for the purpose of concluding Agreement on small cross-border traffic.

INSTITUTIONAL FRAMEWORK

The staffing of the Sector for Visa Regime and the Sector for Consular Affairs will be strengthened in 2009.

Training is envisaged for the diplomatic-consular staff before leaving to work abroad in the Diplomatic and Consular Missions (DMCP's) of the Republic of the Macedonia.

In 2009, 6 Diplomatic and Consular Mission (DMCP's) will be connected to the Visa Centre within the MFA.

Visa liberalisation

In the frameworks of the dialogue for visa liberalisation, assessment missions will be realised for the Blocks 1, 2 and 3, and expert meeting for the Block 4. The finalisation of the expert missions and meetings will mark the ending of the second phase of the process for visa liberalisation, after which the Republic of Macedonia awaits the publication of the final report of the EC and the initiation of the legal procedure of the EU Council for visa liberalisation of the Republic of Macedonia. The liberalisation of the visa regime of the European Union towards Macedonia is expected to be implemented in 2009.

Initiating measures and activities for liberalisation of the visa regime with Great Britain and Ireland.

MEDIUM-TERM PRIORITIES:

LEGAL FRAMEWORK

Continuance of the activities for harmonisation of the visa provisions with the European Union 'Black List' are expected to be completed with the admission of the Republic of Macedonia in the European Union.

INSTITUTIONAL FRAMEWORK

The staffing capacities of the Visa Centre will be strengthened in the course of 2010 and 2011.

Continuous implementation of trainings for the diplomatic-consular staff before leaving to work abroad in the Diplomatic and Consular Mission (DMCP's) of the Republic of the Macedonia.

Visa liberalisation

Activities for establishment of mutual non-visa regime of travelling to Great Britain and Ireland.

FOREIGN ASSISTANCE

The Visa Centre is financed from the funds of the CARDS Programme 2006 amounting to EUR 1.2 million provided through the European Agency for Reconstruction. Furthermore, donation has been provided for adaptation of the Visa Centre premises by the Government of Luxembourg amounting to EUR 250,000.

Swiss technical and financial assistance have been provided by the Swiss Embassy in Skopje which enabled printing of 75,000 visa stickers. Additional 45,000 stickers were printed from funds of the Budget of the Republic of Macedonia, whereby total of 120,000 visa stickers for the needs of the Visa Centre have been provided, thus meeting the needs for visas by the end of 2009.

3.24.4 EXTERNAL BORDERS AND SCHENGEN-ZONE BORDERS

CURRENT SITUATION

LEGAL FRAMEWORK

Standard Operational Procedures for State Border Surveillance were adopted, that are in accordance with the Practical Handbook for Border Guards (Schengen Handbook) and the Handbook of policing - Standardisation of Basic Police Procedures. The Handbook includes, among others, procedures for profiling victims and perpetrators of trafficking in human beings, detection of persons who use forged documents, dealing with illegal migrants and detection of other types of trans-border crime.

For the purpose of implementation of the Convention for Police Cooperation in Southeast Europe, implementation protocols with the Republic of Serbia and the Republic of Albania have been signed.

In the course of 2008, a procedure for conclusion of an Agreement with FRONTEX has commenced, a possibility given by the Council Regulation (EC) 2007/2004.

The National Coordinative Centre for Border Management (NCCBM) adopted its Rules of Procedure on 4 July 2008, whereas the four process rules have also been adopted during August 2008.²²

Amendments to the Law on Customs Administration have been adopted, by which the organisation, management and maintenance of the border crossing points for road transport is transferred under the competence of the Customs Administration. The envisaged activities will be conducted on the basis of an Annual Programme which will be adopted by the Government of the Republic of Macedonia.

The following have also been adopted: Strategy for Implementation of a Border Police Risk Analysis Model has been adopted, an Action Plan for implementation of the Strategy referred and a Handbook on the methodology for performing risk analysis in the area of trans-border crime, organised trans-border crime and illegal migration.

Strategic Plan: Strategic Plan of the MI 2008-2010 Public Security Sub-programme A.2 = Border Issues and Migration and Strategic Plan of the MI 2008-2010 Programme "Establishing and upgrading of information and telecommunication infrastructure" – Sub-programme Upgrading of telecommunication systems - implementation of the project Upgrading of TETRA - digital police radio.

INSTITUTIONAL FRAMEWORK

The implementation of both the National Strategy and the Action Plan for Integrated Border Management is in its final phase.

By 12 December 2008 inclusive, in accordance with the Border Police Training Plan, 74 different training sessions have been conducted for the Border Police officers. The Sector for Border Affairs and Migration in the period from 17 December 2007 - 30 May 2008 has conducted training on introduction with the content of the new Rulebook on the manner of policing, in which 2356 officers of the Border Police were included.

Within the framework of the TWINING Project "Development of the Police Educational System", basic training to police officers has been conducted, including training on border operations in the MI training centre in the period from 1 December 2007 - 1 December 2008, with 90 police officers included.

Implementation of Anti-Corruption Training Programme is underway, which refers to the employees of MI organisational units working on the issuance of travel documents and visas for Macedonian citizens and foreigners, which started on 29 October 2008, as well as training in the area of asylum and temporary protection referring to employees of the on-duty services in the Sectors for Internal Affairs, heads of units for illegal migration and readmission, police stations and police units for border affairs in air, road and lake traffic.

²² Standard procedures in order to provide assessment of the relevant risk in border management, Procedure for undertaking measures and activities of the representatives of NCCIBM, Procedure for mutual exchange of information among institutions having competences for IBM and Coordination rules in monitoring during situation at a border among institutions having competences for IBM.

A video surveillance system has been installed at border crossing points, which provides mutual usage of the equipment by the police and the customs as well as for the other IBM subjects, through NCCIBM.

With regard to the connection of the border crossings with the Interpol information system which will provide an access to ASF databases, connection of BC Aerodrom Skopje has been completed, and training of 75 persons from several border crossings has been conducted for operating of this system. The installation of the necessary equipment at the other border crossings is underway as a presumption for connection with the Interpol Information System.

A Management Board for establishing the information system for integrated border management and integral cyber connection of the border crossings with Brussels has been established.

Donation has been provided by OSCE for three VISPEK 2 devices for detecting forged documents, which have been installed in the three busiest border crossing points: Tabanovce, Airport Skopje and Bogorodica.

The Elaboration has been adopted on minimum/maximum standards for technical equipment of police stations and police departments for border control, PS for securing the state border and joint PS, determining fiscal implications for the necessary equipment and provision of the appropriate financial resources.

Duty Operative Centre for Border Management commenced its operation, and currently it is operationally active 24/7.

One representative of the Ministry of Finance - Customs Administration, Ministry of Agriculture, Forestry and Water Economy, as well as 10 MI representatives have been constantly engaged and present at NCCBM.

For the purpose of strengthening the inter-institutional cooperation among the institutions included in IBM, all memoranda for cooperation determined by the Action Plan for Integrated Border Management have been signed.²³

The EXIM system has been put into operation, in accordance with the Decree on Establishing and the Manner of Usage of Information System for Processing Electronic Data and Electronic Signature for Import, Export and Transit of Goods (Official Gazette of the Republic of Macedonia, No 134/2008)

The Government of the Republic of Macedonia has adopted the Information on Establishing Information System of IBM with a Concept for a Change of the Concept for Project Realisation. The successful bidder for public procurement of software for integrated border management has been selected.

Decision on the most successful bidder for supply of IP - communication equipment and for upgrading of the existing SDH/PDH network has been signed.

In the course of 2008, activities for construction and reconstruction of border crossings were carried out, in accordance with the Cross Border Programme for 2008 of PEMHBP.

Currently there are 2415 employees in the Border Police.

SHORT TERM PRIORITIES

LEGAL FRAMEWORK

Signing of Agreement for Cooperation between FRONTEX and MI of the Republic of Macedonia is planned for the beginning of 2009.

Regarding further harmonisation with the Schengen Borders Code, Draft Law Amending the Law on State Border Surveillance has been prepared, and submitted for opinion to the competent Ministries, as well as to the European Commission Delegation in the Republic of Macedonia, and it is planned to be adopted in the first quarter of 2009. The relevant Law is partially harmonised with the Schengen Borders Code (32006R0562)²⁴. At one part, the Law is also made in compliance with Regulation (EC) 1931/2006 laying down rules on local border traffic for foreign and for EU Member States and amending the provisions of the Schengen Convention.

In that regard, Rulebook amending the Rulebook on the manner of implementation of the state border security and control of crossing of the state border will be adopted.

²³ Memorandum of Understanding between the Ministry of Health, Ministry of Finance - Customs Administration, MI and Radiation Safety Directorate – signed in June 2007;

Memorandum for Amending the Memorandum of Understanding between the Ministry of Health, Ministry of Finance - Customs Administration, MI and Radiation Safety Directorate – signed in December 2007;

Memorandum for Amending the Memorandum of Understanding between the Ministry of Health (State Sanitary and Health Inspectorate) and MI (Border Police) – signed in December 2007;

Memorandum of Understanding between the MF - Customs Administration and Ministry of Environment and Spatial Planning- signed in June 2007;

²⁴ Regulation (EC) No. 562/2006 of the European Parliament and the Council of March 15, establishing a Community Code on the rules governing the movement of persons across borders (Schengen Borders Code).

By 30 April 2009 the two bylaws deriving from the Law Amending the Law on State Border Surveillance will be adopted: Decision on border crossings, working hours, scope of using and categorisation of the border crossing points and Rulebook on the form and contents of the stamp for entry in and exit from the Republic of Macedonia.

An analysis of the EU Regulation (EC) 2252/2004 will be performed regarding the standards for security features and biometrics in passports and travel documents issued by Member States, under which the necessity for implementation of the given measure will be determined.

New National Strategy for Development of the Established System for Integrated Border Management and an Action Plan for the period 2009-2010 will be adopted. The Strategy will develop and promote the following areas: further harmonisation of the national legislation with the European standards, strengthening the capacities and promoting inter-agency cooperation among institutions having competences in the IBM system, construction and reconstruction of the border crossings and upgrading infrastructure and information and technical support of the system.

In the first quarter of 2009, the MI Strategy for Human Resources Management will be amended, in the section for development of managerial skills as well as in the section for Border Police.

INSTITUTIONAL FRAMEWORK

In the course of 2009, in accordance with NAP for IBM, NCCBM capacity will be strengthened in order to achieve its full operability. After the establishment of the IT system for IBM, beside the existing capacities, it is planned to set up new organisational units in the segment of: coordination and exchange of information, risk analysis and support and maintenance of the IT system for IBM.

At the beginning of 2009, the IT system for IBM will be put into operation.

For the purpose of improving the mutual cooperation, in the upcoming period the emphasis will be put on implementation of the signed memoranda of understanding between institutions having competences in IBM.

Within the framework of the planned cooperation with FRONTEX, an analysis and harmonisation of the plans and programmes for Border Police training on the EU standards in this area will be carried out. Further training will be conducted in accordance with the revised and harmonised training programmes. In accordance with the Agreements for Cooperation, FRONTEX and MI will exchange information regarding risk analysis, MI representatives will participate in the mutual operations of FRONTEX, police officers of MI will be appointed to perform operations in the contact - offices set at the external borders of the EU Member States. Furthermore, cooperation in the segment of mutual operations coordinated by FRONTEX and promotion of the operational interoperability is envisaged.

By the end of June 2009, it is envisaged to prepare the Schengen Action Plan by which activities will be developed for approximation to the Schengen acquis (42000A0922(01), 31999D0435, 31999D0436, 32001R2424, 32001D0886, 32004R0871, 32005D0211 and 32005R1160).

An emphasis will be put on implementation of the activities of the Action Plan for conducting the Strategy for Implementation of a Border Police Risk Analysis Model. Development of a Programme for Border Police training is underway, according to which the training of the border police officers will be conducted during 2009. At the same time, it is envisaged to develop mutual risk analysis on NCCBM level.

Financial resources will be provided for realisation of the Elaboration on minimum/maximum standards for technical equipment of police stations and police departments for border control, PS for securing the state border and joint PS. The Elaboration envisages necessity of EUR 1,673.950 for this purpose. The Elaboration encompasses technical reinforcement with appropriate equipment for inspection of the documents.

By the end of February 2009, it is planned to connect three more border crossing points with the central database, and during 2009 it is planned to fully complete the IT inter-connection of all border crossings and connection with the central database.

The operationalisation of the first phase of a digital police radio TETRA is underway. It is expected that the envisaged activities from this phase with a partial technical acceptance to be realised by the end of February, and to be completed by the end of April 2009. Within the framework of IBM 2008, MKD 14.760,000 has been allocated for procurement of equipment for technical support of TETRA.

Complete connection of the border crossing points with the information system of Interpol has been envisaged, which will provide a direct access to the ASF databases of Interpol, as a type of secondary control in addition to the initial control conducted through the system for control of passengers and vehicles.

Training to border police officers will be conducted on consistent application of the decisions under which entry is enabled for Schengen visa holders. This activity encompasses implementation of continuous training on detecting forged documents with inclusion of all police officers for passport control at the border crossings, i.e. 670 border police officers. The aforementioned training is envisaged in the Curriculum for advanced and special training to the Border Police for 2009.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

Adoption of the bylaw deriving from the Law on State Border Surveillance, on the manner of crossing the internal border, to be adopted upon the accession of the Republic of Macedonia in the European Union.

Adoption of Standard Procedures for coordination of activities from the first phase of the international cooperation for border management is planned after setting up coordinative centres for border management in the neighbouring countries in the region.

INSTITUTIONAL FRAMEWORK

Full operation of a digital radio-system TETRA, with which the information-technological structure of IBM will be completed. Within the framework of IPA 2008, total of EUR 5.2 million has been approved for this purpose, whereby the Republic of Macedonia will participate with EUR 0.4 million on the basis of co-financing.

Technical equipping of the border crossings and police stations - in accordance with the Elaboration on minimum/maximum standards for technical equipment of police stations and police departments for border control, PS for securing the state border and joint PS.

Continuation of activities with the purpose of reconstruction of police stations for securing the state border. Within the framework of IPA 2008, total of EUR 2.4 million has been approved for reconstruction of the police stations for securing the state border, EUR 1.25 million of which will be provided by the Republic of Macedonia on the basis of co-financing. The reconstruction is envisaged to encompass the police stations to Serbia, Kosovo and Albania.

FOREIGN ASSISTANCE

Realised projects

- CARDS Project 2004 "Development of the operational capacities of Border Police" from 1 May 2007 - 31 December 2008, amounting to EUR 1,429,500.00.

Current projects:

- The credit from the World Bank granted to PEMHBP intended for the border crossing point Dolno Blace has been approved and the project should start in the course of 2009. The amount of the credit is MKD 120,000,000.00.

Planned projects:

- Reconstruction of PS for securing the state border to Serbia, Kosovo and Albania, beginning from 15 October 2008 - 1 September 2010, amounting to EUR 1,600,000.00, out of which EUR 1,200,000.00 foreign assistance and EUR 400,000 co-financing.
- Upgrading of digital radio-communication system TETRA, beginning from 15 October 2008 - 30 April 2011, amounting to EUR 9,330,000.00, out of which EUR 7,000,000.00 foreign assistance and EUR 2,330,000.00 co-financing.

3.24.5 JUDICIAL COOPERATION IN CRIMINAL AND CIVIL MATTERS

CURRENT SITUATION

LEGAL FRAMEWORK

In 2008, the following acts were adopted: Law on Ratification of the Convention of 29 May 1993 on Protection of Children and Cooperation in the Respect of Inter-country Adoption (Official Gazette of the Republic of Macedonia, No 103/08), Law on Ratification of the Hague Convention of 18 March 1970 on the Taking of Evidence Abroad in Civil or Commercial Matters (Official Gazette of the Republic of Macedonia, No 140/08), Law on the Ratification of the Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of 15 November 1965, (Official Gazette of the Republic of Macedonia, No 107/08) and Law on Ratification of the Additional Protocol to the Convention for the Protection of Individuals with regard to Automatic Processing of Personal Data regarding supervisory authorities and trans-border data flows of November 1981 (Official Gazette of the Republic of Macedonia, No 103/08).

The Law Amending the Law on Ratification of the Second Additional Protocol to the Convention on Mutual Legal Assistance in Criminal Matters (in which 1 reservation and 7 declarations are made) was adopted on August 1, 2008 (Official Gazette of the Republic of Macedonia, No 103/2008)²⁵. The national legislation is in compliance with this Protocol.

The Assembly of the Republic of Macedonia has adopted the Law Amending the Law on Personal Data Protection (Official Gazette of the Republic of Macedonia, No 103/08).

Protocol for Legal and Judicial Cooperation between the Ministry of Justice of the Republic of Macedonia and the Ministry of Justice of the Republic of Montenegro has been signed.

On November 28, 2008 Agreement for Cooperation between the Republic of Macedonia and EUROJUST in Brussels has been signed. Procedure for ratification of the Agreements by the Assembly of the Republic of Macedonia is currently underway, upon which it will enter into force. The Agreement represents the highest form of cooperation between Eurojust and a state which is not EU member.

The Republic of Macedonia has ratified all Conventions and Protocols of the Council of Europe with regard to international legal assistance, extradition and transfer, and the national legislation was previously harmonised. When dealing with matters in this area, the Law on Criminal Procedure and the ratified international documents are applied, and bilateral agreements are concluded for countries that are not parties to these Conventions.

INSTITUTIONAL FRAMEWORK

The Sector for International Legal Assistance within the Ministry of Justice acts upon the matters that refer to the overall legal assistance in the criminal and civil matters. Out of 19 in plan, 13 job posts have been filled in 2008.

STRATEGIC DOCUMENTS

Penal Law Strategy Reform 2007. The Adopted Strategy encompasses two segments: reform of the penal process law and reform of the penal material law.

SHORT TERM PRIORITIES

LEGAL FRAMEWORK

Law on International Legal Assistance in Criminal Matters will be adopted. The Law will provide for more efficient implementation of the European Convention for Legal Assistance in Criminal Matters with the two Additional Protocols, European Convention on Extradition with the two Additional Protocols, European Convention on Transfer of Sentenced Persons with the Additional Protocol and European Convention on Transfer of Criminal Procedures.

The Hague Convention of 19 October 1996 on Jurisdiction, Applicable Law, Recognition, Enforcement and Cooperation in respect of Parent Responsibility and Measures for the Protection of Children will be ratified.

Analysis of the harmonisation of the Law on International Private Law with the EU regulations will be carried out.

Analysis of the Council Decision 2005/876/JHA of 21 November 2005 on the exchange of information extracted from the criminal record.

Analysis of the European Convention from Strasbourg from 15 May 2003 for Contact with Children (CETS 192) is foreseen, as well as the needs for its harmonisation with the national legislation.

With regard to improving the legal framework for bilateral cooperation, in the first quarter of 2009, a Protocol for Legal and Judicial Cooperation between the Ministry of Justice of the Republic of Macedonia and the Ministry of Justice of Bosnia and Herzegovina and a Protocol for Legal and Judicial Cooperation between the Ministry of Justice of the Republic of Macedonia and the Ministry of Justice of the Republic of Slovenia will be signed.

Until the end of 2009, Joint Declaration between the Ministry of Justice of the Republic of Macedonia and the Federal Service for Justice of Switzerland for cooperation intensification in improving the criminal legal cooperation between the two countries will be adopted.

In the course of 2009, signing of Agreement for Judicial Cooperation between the Republic of Macedonia and the Republic of Italy in criminal matters is envisaged, as well as an Agreement for Legal Assistance in the Civil and Criminal Cases between the Republic of Macedonia and the Republic of China.

²⁵ The Law on Amending the Law on Ratification of the Second Additional Protocol of the Convention for Mutual Legal Assistance in the Criminal Matters was adopted by the Parliament on June 24, 2003 (Official Gazette of the Republic of Macedonia, No. 44/03).

It is envisaged to commence initiatives for signing Agreements for legal assistance in the civil and criminal cases between the Republic of Macedonia and Canada, USA and China.

INSTITUTIONAL FRAMEWORK

The implementation of the Second Additional Protocol of the European Convention for Mutual Assistance in Criminal Matters will begin from April 1, 2009.

After the entry into force of the Agreements for Cooperation with EUROJUST, contact persons from the competent institutions in the Republic of Macedonia will be appointed (the Public Prosecutor's Office, the Ministry of Justice and/or Basic Court Skopje 1 Skopje) through which direct judicial cooperation in the criminal matters will be provided between the Republic of Macedonia and the EU Member States.

In the area of civil matters, for the purpose of continuous education of employees from the Sector for International Legal Assistance and judges who apply the Law on International Private Law, a workshop for recognition and enforcement of foreign court judgements is envisaged, as well as a workshop for international legal assistance. It is envisaged for the representatives of the Ministry of Labour and Social Policy, the Bar Association, enforcement agents and other representatives to be present at the workshops.

Strengthening of the personnel capacities in the Sector for International Legal Assistance is envisaged (see Chapter 23 for more details on employment).

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

In the course of 2010, amendments to the Law on International Private Law are envisaged, intended for overcoming possible deficiencies that will be determined through the application of the Law in practice.

Regarding improvement of the mutual judicial cooperation on a bilateral basis, it is envisaged to start an initiative for concluding agreements in the civil matters between the Republic of Macedonia and the Republic of Slovakia, as well as between the Republic of Macedonia and the Czech Republic.

INSTITUTIONAL FRAMEWORK

The Ministry of Justice, courts and public prosecutor's offices have a necessity of organising workshops and seminars with domestic and foreign experts for proper application of the Conventions on criminal and civil matters, in particular, application of the Convention from March 10, 1995 on Simplified Extradition Procedure between the Member States of the European Union, application of the European Arrest Warrant and the European Judicial Network, European Conventions for International Legal Assistance in Criminal Matters, on extradition, transfer, transfer of penalty procedures, as well as workshops and seminars on domestic legislation, in particular the Law on International Private Law etc.

3.24.6 POLICE COOPERATION AND FIGHT AGAINST ORGANISED CRIME

CURRENT SITUATION

LEGAL FRAMEWORK

The segment regarding police reform is included in the part on Political Criteria.

The amendments of the Criminal Code have been adopted, intended for harmonisation of the national criminal legislation with the international standards for criminal acts of trafficking in human beings, terrorism and financing of terrorism, children pornography, cyber crime, intellectual property rights, illegal construction activities, as well as strengthening of the penal policy when prescribing punishments for criminal acts for these forms of organised crime.

Amendments to the Law on Criminal Procedure have been adopted, with regard to the harmonisation of the international and European law in the segment of protection of the rights of the juvenile witnesses in the procedure, as well as the fight against terrorism. The amendments refer to the usage of special investigating networks as well.

Amendments have been adopted on the Law on Interception of Communications, which determine the right of the court to order interception of communications when reasonable doubts exist that a criminal act is being prepared, is underway or has been committed, for which a prison sentence of at least four years is prescribed, as well as for provision of data and evidence necessary for successful conduct of the criminal procedure which cannot be obtained otherwise, or the provision of which will be accompanied with great difficulties. So far, total of 9 orders have been carried out for electronic interception of communications, 4 out of which in accordance with the amendments from September 2008.

With the last amendments to the Law on Weapons (Official Gazette of the Republic of Macedonia, No 86/08), the open issues imposed in the process of practical application of the Law have been surpassed, i.e. the policy regarding the issues for practical training on handling weapons by natural persons has become more severe. In accordance with the amendments, commissions for granting approvals for purchase of weapons have been established in all 8 Sectors for Internal Affairs.

The amendments to the Law on Family introduced a new chapter, "custodianship of juvenile-victims of trafficking in human beings", and the amendments to the Law on Protection of Children provided harmonisation with the UN Convention on Protection of Children, i.e. protection of children from illegal trade and exploitation.

The Government of the Republic of Macedonia has adopted an Action Plan for implementation of the Strategic Agreement and commencement of negotiations for signing an Operational Agreement with EUROPOL. Roadmap for prospective activities and guidelines for actions until final signing of an Operational Agreement with EUROPOL has been signed, as well as Memorandum of Understanding for the purpose of establishing safe communication link between the Ministry of Interior of the Republic of Macedonia and EUROPOL.

For the purpose of implementation of the Police Cooperation Convention for Southeast Europe, in February 2008, implementation protocols were signed. (More in section 3.24.4. External borders and borders of the Schengen zone)

In relation with the fight against the international organised crime, 3 agreements for police cooperation and fight against the organised crime have been concluded with the Ministries of Interior of Austria, Bosnia and Herzegovina and Poland.

Standard Operational Procedures have been adopted for dealing with victims of trafficking in human beings, established in order to provide assistance and protection to all victims of trafficking in human beings, through a comprehensive approach based on the human rights of the victims.

Within the framework of activities of the Financial Police Directorate, in accordance with the Law on Financial Police, the following acts have been adopted: Rulebook on salaries, compensations and other incomes of the employees in the Financial Police Directorate, Rulebook on systematisation of the Financial Police Directorate, Rulebook on the organisation of the Directorate, Rulebook on the form and contents of the identification form and the form of the badge of the Financial Police, Rulebook on the official uniform of the employees in the Financial Police Directorate.

On 28 November 2008, Agreement for Cooperation between the Republic of Macedonia and EUROJUST was signed.

In relation to the database established in the Sector for Criminal Intelligence, the following acts have been prepared: Guidelines on the use of intelligence database of the Sector, Rulebook on the use of criminal and intelligence activities as method of police work in the Public Security Bureau, as well as Rulebook on conducting forensic investigations.

Within the negotiations for defining SELEC in the course of 2008, 6 meetings were held in which one representative from MI and one from MFA of the Republic of Macedonia have participated.

The Department for Witness Protection has signed multilateral regional agreements with Serbia, Bosnia and Herzegovina, and Montenegro. Cooperation in the field of witness protection is envisaged in the Agreement signed between the MI of the Republic of Macedonia and the Federal Ministry of Interior of Austria.

INSTITUTIONAL FRAMEWORK

In accordance with the Action Plan for transformation of the regional police services, the work subgroups in charge of allocation of material resources have prepared Elaborates for material technical preparedness, i.e. determining minimum standards for spatial accommodation, means of transport required, peripheral information and telecommunication equipment, devices for traffic surveillance, as well as equipment for criminal and technical investigation.

The Sector for International Police Cooperation has developed as a separate Sector within the Central Police Services. A Europol National Unit has been set up within the Sector, and the Section for Technical Support has been transformed into a Section for Administration and On-Duty Service, in order to fulfil the work standard of 24/7.

New organisational unit, Police Sector, has been set up within the Public Security Bureau, encompassing the Sector for Public Order and Peace, Sector for Traffic Matters, Reserve Staff Unit and Duty Operational Centre.

A change of the organisational structure of the organisational units has been made within the framework of the Department for Organised Crime. Namely, the Department has been divided into: Unit for Fight against Money Laundering and Organised

Economic Crime; Unit for Fight against Corruption; Unit for Fight against Cyber Crime; Unit for Fight against Illegal Trafficking in Drugs and Weapons; Unit for Fight against Violent and Serious Crime; Unit for Fight against Trafficking in Human Beings and Smuggling of Migrants; Sector for Criminal Intelligence Analysis; Sector for Special Investigation Techniques; Sector for Criminal Intelligence; Information Technology Section.

In accordance with the MI systematisation act, the number of work posts in the Sector for Criminal Intelligence has been reduced from 103 to 96.

Two new employees, intern IT experts, have been employed in the Unit for Fight against Cyber Crime and currently there are total of 6 employees in the Unit. Furthermore, an extension of the organisational structure and definition of specific competences have been made, i.e. the Unit will focus on conducting forensic investigations, preventing, detecting, documenting and reporting perpetrators of cyber criminal acts, children pornography and criminal acts against intellectual property with elements of organised crime.

The Section for Witness Protection is sufficiently staffed at the moment. For the first time, the Section has had its own budget for 2008. Three motor vehicles have been procured for the requirements of the Section. Judicial and extrajudicial proceeding has been conducted for 5 cases with 14 protected witnesses.

Within the Sector for Criminal Intelligence, a Database has been established (information obtained from concealed human resources), and material and technical provision and equipping of the criminal intelligence units in the Department for Organised Crime is underway.

In accordance with the Law on Criminal Procedure and the Law on Interception of Communications, the Department for Organised Crime within MI conducts special investigating techniques among which interception of communications; however, for this purpose, in the Department for Organised Crime, precisely in the Sector for Special Investigation Techniques, there is a Section for Electronic Interception of Communications, currently in phase of staffing and material and technical equipping.

In the regard of establishing National Intelligence Database, a Plan for Activities and an Action Plan have been adopted as well as a Decision on establishing Management Board for the Project. The Management Board has adopted the Document for Initiating the Project and the first version of the feasibility study.

In the area of fight against trafficking in human beings, an inter-ministerial work group has been set up, for the purpose of revision and preparation of a new NAP for fight against trafficking in human beings and illegal migration for 2009-2012.

With regard to implementation of the provisions of the Memorandum for Cooperation in the fight against organised crime and other forms of crime between the Ministry of Finance and MI, several institutions (the Public Revenue Office, the Customs Administration, the Directorate for Prevention of Money Laundering and Terrorism Financing, the Financial Police and the MI) have appointed liaison officers that has significantly improved the cooperation among these institutions.

Within the framework of TAIEX, training has been conducted in cooperation with the Federal Ministry of Interior of Austria; within the framework of the ICITAP programme, mutual training with the colleagues from the Service for witness protection of the Republic of Albania has been conducted in Tirana under auspice of IOM, UNDOC and OSCE; Training has been conducted for prevention of children pornography via Internet for the employees of the Section for Cyber Crime and Forgeries.

SHORT TERM PRIORITIES

LEGAL FRAMEWORK

In accordance with the Action Plan for establishing National Intelligence Database, it is envisaged to adopt a Law on Exchange of Information through establishing national database.

Further harmonisation of the Criminal Code will be achieved with the Council Framework Decision 2001/413 of 28 May 2001 on combating fraud and counterfeiting of non-cash means of payment, OJ L 149. 2.6.2001, p.1, as well as with the Convention on Cyber Crime and the Additional Protocol to the Convention for Cyber Crime concerning the criminalisation of acts of a racist and xenophobic nature through computer systems

For the purpose of standardisation of the DNA procedures, harmonisation will be made with the Council Resolution of 9 June 1997 on exchange of DNA analysis results (97/C 193/02) and the Council Resolution of 25 June 2001 on exchange of DNA analysis results (2001/C 187/01) by drafting laws and bylaws in which the decisions from the specific EU measures will be incorporated.

The process for ratification of the Council of Europe Convention on Action against Trafficking in Human Beings has been commenced, and it is planned to be completed in the first quarter of 2009.

It is envisaged to adopt Guideline on Handling Documents and Acts in the Criminal Intelligence Units.

It is expected to continue the process of signing the implementation agreements with the others signatories of the Police Cooperation Convention.

Selection of legal persons for training on handling weapons is underway, and setting up of a MI Commission for taking professional exam for handling weapons, so that the Law on Weapons will be fully implemented.

In accordance with the foreseen dynamics, in May 2009 the last negotiation meeting on transformation of the SECI initiative in SALEC will take place, thus fully completing the process.

The Financial Police Directorate has envisaged adoption of the following acts for the first half of 2009: Rulebook prescribing the measures on protecting the premises during ongoing search by safe seal and other official marks of the Financial Police; Rulebook on the manner of usage of the symbol of Financial Police; Rulebook on the manner and procedure of evaluation of financial police officers' work; Rulebook on the manner and procedures of evaluation of working skills for employment in the Financial Police; Code of Ethics of the Financial Police; Rulebook on criminal and tactical measures; Rulebook on usage of technical equipment.

With the purpose of successful implementation of the Law on Interception of Communications, the Sector for Special Investigation Techniques has envisaged adoption of the following acts:

- Guideline on the procedure for selection of police officers competent for implementation of special investigating techniques, electronic interception of communications;
- Rulebook on the manner of storage of data collected by interception of communications, with which the storage and destruction of data, and the whole procedure for preparing draft order for interception will be regulated.
- Guideline on the application of the operative and technical means for electronic surveillance.

INSTITUTIONAL FRAMEWORK

In accordance with the Action Plan for developing National Intelligence Database (NIDB), it is envisaged to prepare the Second, Third, Fourth and Final version of the Feasibility Study during 2009, after which preparation of the tender documentation for establishing National Intelligence Base will follow, as well as a procedure for selection the most successful contractor. For implementation of the stated activities, it is envisaged for the Ministry of Interior to provide EUR 5,605,000.

During 2009 activities will be taken by the National Europol Unit for realisation of the signed Plan for Prospective Activities, by which realisation of four basic goals is envisaged, as follows: Concluding an Operational Agreement with Europol (exchange of personal data); Facilitation of the information flow between EUROPOL and the competent authorities in the Republic of Macedonia via NCP (safe communication link); Provision of necessary means for the Europol Unit, in order to ensure its action as a mediator between EUROPOL and the competent authorities in the Republic of Macedonia; Staffing, as well as continuation of activities for raising the awareness for EUROPOL in the Republic of Macedonia.

In the beginning of 2009 it is envisaged to prepare technical specification for the database established for the Sector for Criminal Intelligence, within the Department for Organised Crime. Training to the employees of the Sector for Criminal Intelligence and the Sector for Criminal Intelligence Analysis will be realised on IT skills for using the intelligence database. The preparation of the Rulebook on use of the criminal intelligence database is envisaged for the beginning of 2009.

In the course of 2009, a Database for forensic investigations for serious and organised crime will be established.

The Department for Organised Crime will provide computer protection. Continuous material and technical equipping of the criminal intelligence units within the Department for Organised Crime is envisaged as well.

In the course of 2009, activities will be taken in the direction of surpassing the problem regarding the spatial accommodation in the Section for Witness Protection, in accordance with the Strategy for implementation of the Law on Witness Protection.

In 2009, the Sector for Fight against Trafficking in Human Beings and Smuggling Migrants will continue with the implementation of the National Action Plan and the Standard Operational Procedures for dealing with victims of trafficking in human beings on a local level of governmental and non-governmental institutions. At the same time, the Sector will continue with the proactive plan for conducting forensic investigations through profiling criminal groups, thereby increasing the success in victim identification.

The activities will be continuously focused on raising the public awareness and information regarding the existence and necessity for *prevention of trafficking in human beings*. It is planned to organise educational activities for strengthening the capacities of the experts from different profiles and institutions to prevent trafficking in human beings and dealing with victims of trafficking in human beings, i.e. their acceptance and directing.

Single system for registering victims of trafficking in human beings, citizens of the Republic of Macedonia and foreign citizens, will be put into operation in 2009.

Staff strengthening is envisaged in the organisational units of the Department for Organised Crime, as follows: in the Sector for Criminal Intelligence Analysis, in the Sector for Criminal Intelligence and in the Unit for Fight against Corruption. Staff strengthening is also planned in the Forensic Department and in the Sector for Special Investigation Techniques (including the Department for Electronic Surveillance).

Further technical equipping is envisaged in the Sector for Special Investigation Techniques as well as training for the employees, for which the necessary financial assets have been provided from the MI budget.

Further staffing is envisaged for the Unit for Fight against Cyber Crime. At the same time, further equipping with appropriate technical equipment is envisaged. For that purpose, appropriate funds from the budget have been envisaged, as well as training within the IPA Project for Support of the Police Development.

For the needs of the fight against organised crime, MKD 57,340,000 have been provided from the budget of the Ministry of Interior of the Republic of Macedonia. These assets will be separately used for: procurement of office equipment; procurement of information and video equipment; procurement of motor vehicles, as well as procurement of other equipment.

Staff strengthening is envisaged in the Financial Police Directorate in the course of 2009.

The realisation of the project "Video Surveillance - Safe City" will commence, by which visual coverage of Skopje will be provided. For this purpose it is necessary to provide a total of MKD 1,084,943.343, funds covered by MI.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

INSTITUTIONAL FRAMEWORK

The Project for establishing National Intelligence Database will be fully realised. Establishing operative information connection of the databases among institutions - carriers of activities for prevention and fight against organised crime.

Development of integrated criminal intelligence, on the basis of analysis of the effects from practical application of the criminal intelligence method in police operations.

The planned activities for the implementation of the Standard Operational Procedures for dealing with victims of trafficking in human beings will be realised.

For the purpose of strengthening the capacities of the Department for Organised Crime, training of executing officers will continue, as well as further material and technical equipping.

In the second half of 2010, establishing of the National Intelligence Database is envisaged, with its full operational capacity. For that purpose, EUR 867,000 will be provided from the budget of MI for 2010, and EUR 700,000 for 2011.

In addition to the cooperation with the institutions from the country, in the upcoming period the Financial Police Directorate will establish an intensive international cooperation with authorities and organisations of the Member States of the European Union and other countries, and activities will be taken on implementation of the existing system for exchange of information among the members of Europol, Interpol, OLAF and other institutions of such character. Additional employments are envisaged in the Financial Police Directorate during 2010 and 2011.

FOREIGN ASSISTANCE

In the framework of the CARDS Programme for 2006, reconstruction of premises for retention in the police stations of general competence is envisaged. In the communication between MI and EAR, the following PS have been identified to be included in this project: Kisela Voda, Kumanovo, Tetovo and Chair. It is additionally arranged to carry out full reconstruction of the stated PS. The Project is in a phase of implementation, and currently the engaged consultant is working on preparation of the tender

documentation. For realisation of the stated Project, EUR 750,000 are envisaged from the CARDS Programme and 1,600,000 from IPA, out of which EUR 400,000 are provided from the MI budget.

In November 2007, two projects for support of the police reform were successfully completed, as follows: Advisory support for police reform (in cooperation with the Federal German District Brandenburg) and Support for local implementation of the police reforms (in cooperation with the Republic of France). Within the framework of the police reform process, Service project for development of the operational capacities of the Border Police (in cooperation with Hungary and Slovenia) has been realised.

Within the framework of the Police Reform Programme, envisaged by the Strategic Plan of the Ministry of Interior 2008-2010, on 19 May 2008 the realisation of the IPA Project for Support of Police Development started, with a duration of 24 months, and its realisation amounts to EUR 7 740 000. It is being implemented by CIVIPOL, Agency of the Ministry of Interior of the Republic of France, and the purpose of the Project is to provide support to all components in the Ministry of Interior on a strategic, tactical and operational level in the implementation of the Strategy for Police Reform, to provide advice and corrective measures where necessary, all for the purpose of establishing the best practices and experiences in accordance with the international and required European standards which the country is attempting to achieve.

The Sector for Fight against Trafficking in Human Beings, within the Department for Organised Crime, is actively involved in several regional and international initiatives and projects: EK Project, ILAEIRA - Athens, the purpose of which is strengthening the capacities in the European Union in the segment of the fight against trafficking in human beings, particularly in trans-border cooperation in Southeast Europe; appointing National Contact Points and determining manners of cooperation for identification of victims and prosecution of perpetrators of criminal acts trafficking in human beings; the OSCE Project "Alliance in the fighting against trafficking in human beings", which, through mutual seminars and exchange of experiences, is focused on strengthening the mutual capacities of the competent law enforcement agencies in the fight against trafficking in human beings; the ICMPD Project "Transnational referral mechanism for victims of trafficking in human beings among countries of origin and destination", together with Italy, Czech Republic, Hungary, Portugal, Bulgaria and Romania.

The Ministry of Labour and Social Policy was granted a donation by ICMPD - software for establishing database for the victims of trafficking in human beings in the Republic of Macedonia.

In 2009, the OSCE Mission will continue its support to the Office of National Mechanism for Directing Victims of Trafficking in Human Beings, by provision of training to the professionals from the social work centres on dealing with victims of trafficking in human beings,

3.24.7 FIGHT AGAINST TERRORISM

CURRENT SITUATION

LEGAL FRAMEWORK

The adoption of the Law Amending the Criminal Code (Official Gazette of the Republic of Macedonia, No 07/08) and the Law on Prevention of Money Laundering and Other Criminal Proceeds and Financing of Terrorism (Official Gazette of the Republic of Macedonia, No 04/08) has encompassed the legal framework for sanctioning of all contemporary forms of terrorism and has surpassed the legal void regarding sanctioning of the criminal act "Financing of Terrorism". The amendments to the criminal legal regulation, are harmonised with the Council of Europe Framework Decision on Fight against Terrorism of June 2002, the Council of Europe Convention on the Prevention of Terrorism and with the International Convention for the Suppression of the Financing of Terrorism. On the other hand, the Law on Prevention of Money Laundering and Other Proceeds from Crime and Financing of Terrorism has been harmonised with the Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (2005), amending the Strasburg Convention (1990), the Third Directive of the European Union on prevention of the use of the financial system for the purpose of money laundering or terrorist financing (2005) and FATF Recommendations on Terrorism Financing.

Amendments have been adopted to the Law on Criminal Procedure (Official Gazette of the Republic of Macedonia, No 83/08) in the part regarding the conditions for application of special investigating techniques, as well as the Law Amending the Law on Interception of Communications (Official Gazette of the Republic of Macedonia, No110/08), establishing a significant legal mechanism in the part of prevention of terrorist activities and threats.

The Ministry of Interior has adopted Guidelines on Antiterrorism Protection of Buildings.

The signing of the Agreement for cooperation with EUROJUST on 28 November 2008 has ensured implementation of the Council Decision (32005D0671) of 20 September 2005, on the exchange of information and cooperation concerning terrorist offences.

STRATEGIC DOCUMENTS

The Programme "National Security and Fight against Terrorism" has been prepared, the purpose of which is continuation and intensification of the activities on international plan of the Administration for Security and Counter – Intelligence as an active participant in the fight of the international community against terrorism. The relevant Programme is an integral part of the Strategic Plan of the Ministry of Interior 2009-2011.

INSTITUTIONAL FRAMEWORK

Institutions competent for taking measures for fight against terrorism are the following: the Ministry of Interior (Administration for Security and Counter-Intelligence and Special Forces - Special Tasks Units and Rapid Deployment Unit), the Ministry of Foreign Affairs, the Ministry of Defence (Military Service for Security and Intelligence), the Ministry of Justice, the Ministry of Finance (Financial Police, Customs Administration, Directorate for Prevention of Money Laundering and Financing of Terrorism, the National Bank of the Republic of Macedonia), the Intelligence Agency and within the Public Prosecutor's Office in the Republic of Macedonia - Unit for Prosecution of Perpetrators of Criminal Acts in the Area of Organised Crime and Corruption, as well as the Inter-ministerial coordinative body for coordination of activities in the fight against international terrorism.

In accordance with the Law on Internal Affairs and the Law on the Intelligence Agency, the Assembly of the Republic of Macedonia shall control and supervise the operation of the security and intelligence services and agencies through the Commission for surveillance of the operation of the Administration for Security and Counter-Intelligence and the Intelligence Agency. The Commission submits an annual report for the operation of the Administration for Security and Counter-Intelligence and the Intelligence Agency to the Assembly of the Republic of Macedonia. The cooperation and coordination between the Administration for Security and Counter-Intelligence and the Intelligence Agency and the Military Service for Security and Intelligence continuously takes place through mutual meetings, exchange of information and preparation of mutual intelligence documents for the security situations in the country and the region.

The security services and agencies of the Republic of Macedonia are continuously having good cooperation with NOS (NATO Office of Security), ILU (Intelligence Liaison Unit) and TTIU (Terrorist Threat Intelligence Unit). In the course of 2008, direct communication has been realised on several occasions, and several mutual meetings have been held with the intelligence services from NATO Member States and Member States of the Adriatic Charter. The security services of the Republic of Macedonia have intensified and improved the level of cooperation and exchange of intelligence information with the Member States of the European Union and countries from the region on a bilateral and multilateral plan, as well as with the international organisations such as UN, OSCE, and the Council of Europe.

On multilateral basis, the Administration for Security and Counter-Intelligence is a permanent member of the Southeast Europe Intelligence Conference as a form of adjustment of the interests and establishing mutual strategy of the countries from Southeast Europe for suppression of threats arising from international terrorism (SEEIC), and as of June 2008, a member of the Middle European Conference (MEC) as well.

There are a total of 523 employees in the Administration for Security and Counter-Intelligence.

SHORT TERM PRIORITIES

LEGAL FRAMEWORK

The adoption of the Law Amending the Criminal Code is envisaged for 2009, with regard to harmonisation with: the Council of Europe Convention on the Prevention of Terrorism and the International Convention for the Suppression of the Financing of Terrorism. For the purpose of harmonisation with the Council Framework Decision of 13 June, 2002 on fight against terrorism (32002F0475), it is necessary to prescribe amendments to the Criminal Code, regarding sanctions foreseen for legal persons (in accordance with Article 8 of the Framework Decision) and regarding criminal acts related to terrorist activities (in accordance with Article 3 of the Framework Decision).

In the course of 2009, the following Conventions will be ratified: Council of Europe Convention on the Prevention of Terrorism and the Convention against Enforced Disappearance.

Concluding Operational Agreement with EUROPOL.

INSTITUTIONAL FRAMEWORK

At the same time, the activities of the Administration for Security and Counter-Intelligence within the Southeast Europe Intelligence Conference (SEEIC) and within the Middle European Conference (MEC) will be intensified.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

The Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime will be ratified.

INSTITUTIONAL FRAMEWORK

After signing the Operational Agreement with EUROPOL, the manner of cooperation and exchange of information regarding terrorist acts investigations will be regulated, in accordance with the Council Decision on the exchange of information and cooperation concerning terrorist offences (32005D0671) of 20 September 2005.

3.24.8 FIGHT AGAINST DRUGS

CURRENT SITUATION

LEGAL FRAMEWORK

The first "pre-implementation" part of the Action Plan for Control of Drugs (which covered a one year period-2007) has been fully implemented. The implementation of the second "implementation" part of the Action Plan (covering the period between 2008 and 2012) is in process.

In accordance with the envisaged activities of the Action Plan, a Strategy for communication on narcotic drugs, precursors and psychotropic substances was adopted.

The Law on Control of Narcotic Drugs and Psychotropic Substances (Official Gazette of the Republic of Macedonia, No. 103/09) was adopted. The Law is fully harmonised with the UN Conventions on Narcotic Drugs, on Psychotropic Substances and on Illicit Trafficking of Narcotic Drugs and Psychotropic Substances (1961/1972/1988) and with the Council Regulation (EC) 1673/2000.

Memorandum of Cooperation among the Ministry of Health, the Ministry of Interior, the Ministry of Justice and the Customs Administration has been signed.

INSTITUTIONAL FRAMEWORK

In accordance with the Council Regulation 302/93 of 8 February 1993, at the beginning of 2008, the Monitoring Centre for Drugs and Drug Addiction established a connection with the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA), for the purpose of information exchange and experience in this field.

The establishment of the Monitoring Centre for Drugs and Drug Addiction enabled connection of the three institutions providing data related to drugs: Ministry of Health - the Republic Institute for Health Protection, Ministry of Interior and Ministry of Finance-Customs Administration. Apart from processing data from the 5 epidemiological addiction indicators, the Centre processes data related to confiscated drugs. In addition to quantitative, it will ensure qualitative data in the annual report, according to the internationally accepted standards. The data collected in the Centre will serve as indicators for strengthening the measures for the fight against drugs in certain fields of action.

Annual Report was drafted by the Sector for Controlled Substances, which includes the Monitoring Centre for Drugs and Drug Addiction.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

The Law on Health Register is planned to be adopted at the beginning of 2009, providing for the actual statistics (taking into consideration the quantitative and qualitative indicators), since in accordance with the existing legislation, addiction illnesses are registered in a same group. The Law will be harmonised with: Directive (EC) 95/46 on the protection of individuals with regard to the processing of personal data and on the free movement of such data (Celex number 31995L0046); Commission Decision of 15 June 2001 on standard contractual clauses for the transfer of personal data to third countries, under Directive 95/46/EC (Celex number 32001D0497) and Commission Decision of 27 December 2004 Amending the Decision (EC) 2001/497 (Celex number 32004D0915).

In the course of 2009, bylaws will be adopted deriving from the Law on Control of Narcotic Drugs and Psychotropic Substances (Official Gazette of the Republic of Macedonia, No. 103/08).

In accordance with the Action Plan for Control of Drugs, in the course of 2009, adoption of Drug Prevention Programmes is planned.

INSTITUTIONAL FRAMEWORK

The establishment of regional units of the local self-government, pursuant to the Law on Equal Regional Development and the Law on Local Self-Government is ongoing. Part of the activities of these units will focus on drug prevention. Connection of the State Inter-ministerial Commission for Fight against Drugs with the regional units, upon their establishment, is foreseen. The goal is to achieve mutual corporative Strategy for undertaking activities in the subject area.

The Annual Program activities of the Inter-ministerial Commission for Fight against Drugs will be implemented, including:

- Development of corporative Strategy at national and regional level for control of drugs (DMKD and the regional units)
- Establishment of a system for assessment of magnitudes and trends of illicit use of drugs in the country, region and globally, as part of the majority of the programme activities. This activity will provide reliable information for the trends of illicit use of drugs which will contribute to improvement of prevention programs on all levels.
- The goal of the Programme is to establish a system for reporting on three levels- *decentralised level* (regional units to DMKD-Monitoring Centre for Drugs and Drug Addiction), *national level* – (relevant institutions to DMKD - Monitoring Centre for Drugs and Drugs Addiction) and *international reporting* – resulting from the international conventions and resolutions.
- Building the capacities for improvement of the system for collection and evaluation of data about drugs and drugs addiction – Operational Centre for Drugs and Drug Addiction to be connected with the European Centre for Drugs and Drug Addiction in Lisbon.
- Increase awareness and notification about drugs on regional and national level, through seminars, workshops and campaigns.

A Coordinative Centre for treatment and reduction of damages will be established to coordinate the work of all centres in the Republic of Macedonia

Establishing of joint teams of the Ministry of Health and the Ministry of Interior that will provide training throughout the country to police officers and to representatives of the judiciary, on the proper implementation of the Law on Control of Narcotic Drugs and the Law on Precursors, as well as on the latest types of drugs available on the illegal market. The Budget funds for these activities will be presented in the Programme for activities of the State Inter-ministerial Committee for Fight Against Drugs.

Providing trainings, workshops and seminars on decreasing the demand of drugs (prevention, treatment, social protection, reduction of damages), as well as a number of educational and practical trainings in the fight against diversion of precursors from legal to illegal channels, application of special investigation measures in the fight against illicit trafficking in drugs.

The Annual Report will be sent for an opinion to the partner centres in Cyprus and Latvia and will be adopted on the meeting of the State Inter-ministerial Committee. By the end of January 2009, it will be delivered to the Government for notification and adoption of draft activity measures. Further, it will be delivered to the European Centre for Drugs and Drug Addiction EMCDDA, Lisbon, to be published as a Report of the Republic of Macedonia, along with the reports of the Member States of the European Union, available on the website of the European Centre.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

Complete harmonisation with the EU measures related to the precursors is planned for the period following the accession of the Republic of Macedonia in the EU. Implementation of the Action Plan for Control of Drugs 2008-2012.

INSTITUTIONAL FRAMEWORK

Human resources strengthening of the new Centres for Treatment, Reduction of Damages in Skopje, Tetovo, Kavadarci, Veles, Stip, Bitola, Gevgelija, Ohrid, Penitentiary Institution Idrizovo is planned.

FOREIGN ASSISTANCE

- Cooperation with the European Monitoring Centre for Drugs and Drug Addiction EMCDDA, Lisbon within the frames the Project with Western Balkan countries.

3.24.9 CUSTOMS COOPERATION

CURRENT SITUATION

LEGAL FRAMEWORK

For more details, see Chapter 29 Customs Cooperation.

In January 2008, the amendments to the Law on Customs Administration were adopted and entered into force. Pursuant to the amendments the conditions for revoking customs licences issued before, approvals for representation, adoption or repealing decisions in the field of customs and at the same time, harmonisation with the certain provisions of the European legislation, as well as introducing the concept of authorised economic operator have been established.

Pursuant to the amendments to the Law on Customs Administration (Official Gazette of the Republic of Macedonia, No 103/08), the Customs Administration was enabled to take over the management, the establishment and the maintenance of the facilities on the road border crossing points, the expenses have been reduced for the use of the terminal posts and better conditions have been provided for the economic operators and the passengers.

Amendments have been adopted to the Law on Foreign Exchange Operations regarding the amount of the fine imposed for committed foreign exchange misdemeanour, supervisory customs authority, competent authority for conducting and imposing misdemeanour sanctions as well as the expiry date for conducting the misdemeanour procedure. The Customs Administration, that is, the Misdemeanour Commission at the Customs Administration, conducts the misdemeanour procedures and imposes the misdemeanour sanction for the misdemeanours stated in Article 56 (a) paragraph 1, items 22 and 28.

Within the frames of trade facilitation, the Customs Administration which conducts the Project of the Government of the Republic of Macedonia for establishing the one stop-shop system, has successfully coordinated the implementation of this significant project, which includes systematic connection of 16 institutions involved in the process of issuing import-export licences and customs quota distribution.

To the end of further harmonisation of the national with the EU legislation, a Law on Ratification of the Protocol to the Stabilisation and Association Agreement between the Republic of Macedonia, on the one hand and the European Communities and their Member States on the other hand was adopted, in order to take into consideration the accession of the Republic of Bulgaria and the Republic of Romania into the European Union.

Law on Ratification of the Recommendation for Customs Cooperation Council related to the amendments of the Convention establishing a Customs Cooperation Council was adopted, which resulted with acceptance of the Application for membership of the European Communities, as progressive customs union within the World Customs Organisation.

INSTITUTIONAL FRAMEWORK

With the introduction of modern equipment and activating the four mobile x-ray systems for control of large size containers and vehicles on the border crossing points, high standards were established for acceleration and facilitation of the circulation of goods, fast and high-quality control of the freight motor vehicles with regard to the content and the type of goods which is being transported, detection of illicit trade and smuggling of illegal and excise goods, as well as detection of undeclared work of any kind.

As part of the project for increasing the efficiency and improvement of the institutional capacity of the Customs Administration of the Republic of Macedonia, the prominent consulting company Crown Agents was engaged, whose consultants cooperate directly with their partners in the Customs Administration in five major areas: a) introduction/implementation of controls, systems and procedures based on risk, as primary basis of the customs activities, b) development of investigation and intelligence within the Customs Administration and management on the basis of risk analysis, c) providing long-term operational support of the control and investigation units in detection of illicit trade, smuggling and commercial crime, d) development and promotion of effective inter-institutional cooperation in the country and abroad, and e) development and effective implementation of anti-corruption strategy.

As a priority of the Customs Administration of the Republic of Macedonia, to the end of strengthening the ICT capacities, is the replacement of the actual computer system ASYCUDA with a new system for processing the customs declarations in accordance with the commitment for providing high-quality computer support for processing the import, export and transit customs declarations and in accordance with the functional and technical requirements in relation to the processes of European integration referring to the interoperability and interconnections with the European Customs Systems.

For more efficient implementation of the strategic goals for prevention and suppression of corruption, the Customs Administration adopted a Strategy for integrity and fight against corruption in the Customs Administration (harmonised with the objectives of the Arusha Declaration).

New Action Plan for Suppression of Corruption in the Customs Administration was adopted. The aim is to improve the system for prevention and suppression of corruption within the Customs Administration. The plan was prepared in accordance with the recommendations of the State Programme for Prevention and Suppression of Corruption dated 2007, the legal provisions and the regulation in force in the Customs Administration of the Republic of Macedonia, as well as the legal provisions and principles resulting from the international conventions.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

During 2009, the activities of the Customs Administration of the Republic of Macedonia will be concentrated on further harmonisation of the legislation and strengthening the administrative capacity for implementation of the customs legislation and fight against cross border crime.

The changes in the information and communication technology in the Customs Administration are related to drafting amendments for the customs regulations, necessary for harmonisation of the transit procedure, planned to be realised through a project supported by the IPA Programme 2007.

In the domain of One-Stop-Shop System, the possibility of extension of the services provided in this system will be revised, to the end of introducing new documents for submitting via this electronic system.

INSTITUTIONAL FRAMEWORK

Strategic goals and Action Plan for transferring competences for excise duty collection of the Customs Administration throughout the whole territory of the Republic of Macedonia will be developed, in order to enable the Customs Administration to manage the whole payment system for excise duty properly and efficiently throughout the whole territory of the Republic of Macedonia.

The reorganisation of the Customs Service will enable: adoption of comparable legislation regarding the organisation and competences of the customs authorities; provision of high degree of cooperation among the customs, taxes and the other state services; establishment of efficient customs control, especially in the part of illicit trade and collection of public taxes.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

Preparations for ratification and implementation of the Convention on Mutual Assistance and Cooperation between Customs Administrations of the EU Member States of 1997 (Naples II) and the Convention on the Use of Information Technology for Customs Purposes (CIS) will commence, and their final ratification and implementation will follow upon the accession to the EU. (For detailed information, see Chapter 29 Customs Cooperation)

The activities amending the legislation and information structure for smooth implementation of the New Computerised Transit System will be realised through the IPA Programme 2008, which will be used to provide technical assistance for managing the implementation and the implementation of the New Computer Transit System-NCTS through the *"Project for Support to the Implementation of the Strategy for Customs Reforms"*

Within the Instrument for Pre-Accession Assistance – IPA 2009, technical assistance for managing the implementation and the implementation of the Integrated Tariff Environment through the realisation of the *Project for Introduction of Integrated Tariff Environment - ITE*, will be provided. The implementation of the Project will enable legal harmonisation in relation to the Integrated Tariff concept of the Community – TARIC.

INSTITUTIONAL FRAMEWORK

The Customs Administration will implement a large number of analyses of the provisions of the European legislation which is directly applicable on the EU Member States in the area of customs, but which leaves the possibility for the Member States to decide on individual cases relevant for implementation and supervision of the system.

Prior to the accession to the European Union, a network of bilateral agreements for mutual assistance and cooperation will have to be separately verified, especially regarding the transfer of competences from the national to the European institutions. At the same time, 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.

FOREIGN ASSISTANCE

The Customs Administration of the Republic of Macedonia participates in activities including foreign operational and technical assistance in the area of trainings for the employees, as well as in the area of improvement of the technical equipping of the Administration.

The programme for technical cooperation with the Customs Administration of the Kingdom of Netherlands is envisaged for the end of 2009.

Realisation of technical assistance for preparation of beneficiary and technical specification for a Customs Declarations Processing System with the funds provided from the EU CARDS Programme, in the second and third quarter of 2008.

The Customs Administration of the Republic of Macedonia successfully participates in the IPA 2007, IPA 2008 and IPA 2009 programmes, and within its frames, it realises separate projects for Implementation of the Strategy for Customs Reforms, especially in the part of management and introduction of the New Computerised Transit System- NCTS and the introduction of Common Communication Network and Common System Interface- CCN/CSI as well as strengthening the capacities of the Customs Administration through the implementation of Integrated Tariff Environment (ITE).

In 2009, to the end of improving the operational capacities, EU Affairs Cooperation Programme will be realised between the Government of the Republic of Macedonia and the Government of the Republic of Slovenia.

Following the completion of the first phase of introduction of the "One-Stop-Shop System for import, export and transit of licensing and tariff quota –EXIM", in the course of 2009, with assistance from the USAID projects, it is envisioned for the activities for introduction of new functional possibilities to continue and the offer of services to increase.

In the course of 2009, the Customs Administration will commence to use the technical assistance by participating in the EU Programme Customs 2013.

3.24.10 COUNTERFEITING OF THE EURO CURRENT SITUATION

The incrimination of the criminal act – counterfeiting of the euro and other foreign currencies is stipulated in Article 268 of the Criminal Code (Official Gazette of the Republic of Macedonia, No. 37/96, 80/99, 4/02 and 19/04) The Ministry of Interior procedure for registering of the counterfeited Euro and other foreign currencies is regulated with a "Rulebook on the content and manner of keeping police evidence and the form and content of the form for police evidence" (Official Gazette of the Republic of Macedonia, No.78/07)

INSTITUTIONAL FRAMEWORK

The National Bank of the Republic of Macedonia is the competent institution for undertaking measures against counterfeiting of the national currency - the denar- through its Directorate for Treasury Operations, whose expertise is to deal with counterfeited or suspicious national banknotes.

In accordance with the structure of the Ministry of Interior, a Unit for Fight Against Money Laundering and Economic Crime has been established within the frames of the Department for Organised Crime. The aforementioned unit is competent to implement, prevent, discover and prove, provide documents, as well as prosecute in front of the authorised courts for the criminal acts and the criminal responsibility of organised crime groups to deal with production and dissemination of counterfeited money. The Ministry of Interior of the Republic of Macedonia (DOC and the 8 SIA) keeps a register for the detected counterfeited money (including the Euro).

The competence for forensic analysis of counterfeiting banknotes-Euro and other foreign currencies belongs to the Section for Investigation of Controversial Documents at the Department for Forensic Science at the Ministry of Interior of the Republic of Macedonia. The aforementioned Section conducts analysis of foreign banknotes in terms of their originality, preparation of findings and giving opinion for the (non)originality of the banknotes, development of photo documentation for the banknotes that were subject to analysis, as well as keeping records of the type of banknotes that were subject to analysis (EUR, USD, etc.)

The Section for Investigation of Controversial Documents at the Department for Forensic Science at the Ministry of Interior keeps records of the nominal value of the banknotes, their serial number and the number of the plate to which the banknotes are placed. In cases of higher quality counterfeited banknotes by an organised group, the competency falls under the Department for Organised Crime and the Basic Public Prosecutor's Office for organised crime and corruption.

The Unit for Fight against Money Laundering and Economic Crime, was technically equipped and staffed in 2008.

SHORT-TERM PRIORITIES LEGAL FRAMEWORK

In terms of alignment and harmonisation of the Macedonian legislation with the Council Framework Decision of 29 May 2000 (32000F0383), on protection of the Euro from counterfeiting, the Criminal Code of the Republic of Macedonia will be amended, in order to increase the penalty to a minimum of 8-year imprisonment as foreseen in the abovementioned Decision.

A new Law on the National Bank will be adopted, aligning with the Council Decision of 6 December on the protection of the Euro against counterfeiting (32001D0887).

Also, in the course of 2009, Guidelines on the manner of reporting counterfeited Euro and the procedures to discover counterfeited money will be adopted.

INSTITUTIONAL FRAMEWORK

The Unit for Fight Against Money Laundering and Economic Crime will intensify the measures and activities in order to profile, discover and identify organised groups that deal with counterfeiting the Euro. The aforementioned measures will be undertaken in continuity.

The Ministry of Interior will develop "New Methods and measures for discovering money counterfeiting" Programme for tailored training of the employees in charge of protection of the Euro from counterfeiting.

The Ministry of Interior will conduct training for 20 authorised officials from 8 regional organisational units within the external offices that will work on protection of the Euro from counterfeiting. The training will be delivered in the period between February and December 2009.

MEDIUM-TERM PRIORITIES INSTITUTIONAL FRAMEWORK

Establishment of a National Analytical Centre authorised for expertise and recording of suspicious or counterfeited Euro and other foreign currencies in the course of 2010.

Continuous monitoring and staff training in order to successfully handle profiled criminal groups and production and distribution of counterfeited Euro.

3.25 SCIENCE AND RESEARCH

3.25.1 RESEARCH POLICY

CURRENT SITUATION

LEGAL FRAMEWORK

The Law on Scientific and Research Activity was adopted by the Assembly on 31st March 2008 (Official Gazette of the Republic of Macedonia No. 46/08).

The Law regulates the organisation and management of science and research activity, the conditions for conducting such activity, as well as the professional training and upgrade of scientific and research staff. The Law also regulates the obligations financed by the state budget and other resources in order to achieve the goals of social and economic development of the Republic of Macedonia. The provisions regulate the ethical aspect of scientific and research activity, as well; they laid down the procedure for establishing scientific Centres of excellence, the conditions for cooperation in the field of science between the public and private sector, establishment of a single scientific database, etc.

The Law on Promotion and Support of the Technological Development was adopted by the Assembly on 25 March 2008 (Official Gazette of the Republic of Macedonia No. 41/08).

The Law basically regulates the promotion and support of technological development, programming of the activity, technology infrastructure and activity funding. Its implementation is expected to contribute to the role of technological development in achieving continuous economic development in the country by directly connecting science with the economy. The organisation forms of technology infrastructure and the manner of funding programme activities have been defined in detail. This Law establishes the need for a development of a Programme for technological development that will define the policy guidelines in this field and the priorities in research and development.

The Government of the Republic of Macedonia increased the 2008 budget for science and technological development to EUR 3 million. The increased allocated funds are intended for activities in priority fields.

Funding projects for developing science and research

In the course of 2008, the funding of 67 3-year science and research projects continued. The financial support for these projects amounts to MKD 19,100,000, i.e. EUR 310,920.

In the course of 2007, 34 research and development projects were co-financed; 4 innovation projects. Their implementation, taking 6 months to one year, took place in the course of 2008. The financial support amounts to MKD 12,000,000.

The competition for co-financing research and development and innovation projects for 2008 is in its final phase, allocating MKD 22,000,000, i.e. EUR 358,000.

The Republic of Macedonia is taking part in 67 international projects, financially supported by EUR 358,000.

In January 2009, the Government of the Republic of Macedonia adopted an annual programme for financing science and research activity and technological development, forming the basis for funding scientific and research activity and technological development pursuant to the Law on Scientific and Research Activity and the Law on Promotion and Support of the Technological Development.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

1. Adopt bylaws deriving from the Law on Scientific and Research Activity

Rulebook on procedures and detailed criteria for funding and monitoring annual scientific and research programmes for the scientific and research activity of the scientific and research entities;

Rulebook on the manner and procedure for funding scientific and research projects, i.e. programmes;

Rulebook on procedures and detailed criteria on co-financing in publishing;

Rulebook on the manner and procedures for funding, generation and specialisation of the scientific and research staff
Rulebook on the manner and procedures for keeping databases.

2. Adopt bylaws deriving from the Law on Promotion and Support of the Technological Development
 - Rulebook on the requirements, criteria and manner of granting and using the funds for promotion and support of technological development
 - Rulebook on the manner of keeping a register of technological development entities;
3. Adopting Programme for scientific and research activity for four-year period outlining the priorities and activities in the Republic of Macedonia for intensifying scientific and research activity. The development of this programme will be done through the following stages:
 - establishing a working group;
 - preparing a draft - programme;
 - Adoption of the programme by the Government of the Republic of Macedonia.
4. Developing a document for a National integrated research policy, entailing the priorities and activities of the Republic of Macedonia for starting an integrated research policy. The development of this document will be done through the following stages:
 - establishing a working group;
 - preparing an information for the Government of the Republic of Macedonia regarding the designing the programme for integrated research policy;
 - establishing priorities and developing a draft document;
 - Adoption of the document on integrated research policy by the Government of the Republic of Macedonia.
5. Developing a programme for technological development, outlining the programme activities in this field. The development of the programme will be done through the following stages:
 - establishing a working group;
 - preparing a draft - programme;
 - preparing a final version;
 - Adoption of the programme.
6. Reviewing the National Programme for Scientific and Research Activities and Technological Development 2006-2010.

INSTITUTIONAL FRAMEWORK

1. Activities for implementing the annual scientific and research programme for 2009, aimed at strengthening capacities and developing the industry;
 - carrying out competitions for funding international scientific -research projects;
 - carrying out a competition for funding national research projects;
 - carrying out a competition for awarding post-graduate and PhD scholarships, and a competition for granting funds for MA and PhD theses;
 - drafting an annual programme for funding public scientific institutions;
 - drafting an annual technological development programme;
 - drafting an annual technical culture programme;
 - carrying out a competition for granting funds for publishing science books, science magazines and annual university collections;
 - funding and organising science events;
 - funding study visits abroad and visits of science workers in the Republic of Macedonia.
1. The Law on Scientific and Research Activity and the Law on Promotion and Support of Technological Development envisage establishment of capacities aiming to upgrade science and research, and the technological development in the Republic of Macedonia.
 - reviewing the structure and establishing a new Council for Science and Research activity;
 - establishing a National Committee for Science and Research Activity;

- establishing a Board of Ethics;
- proclaiming Centres of Excellence;
- establishing a Technology Transfer Centre (technology centre/technology core);
- establishing a Committee for Technological Development.

3. Staffing the Sector for Science and Technological Development.

4. Organising trainings for the purposes of enhancing the staff capacities of the Ministry of Education and Science: Introduction to the European Union; Strategic Planning; Learning Foreign Languages and ICT Knowledge According to EU Standards (certificates); Policy Analysis; Creating an Integrated Research Policy.

5. Increasing the budget funds for funding scientific and research activities and technological development.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

1. Implementation of an integrated research policy;
2. Implementation of the Programme for scientific and research activity;
3. Implementation of the Programme for technology development;
4. Implementation of the projects/programmes of the public authorities in technical culture.

INSTITUTIONAL FRAMEWORK

1. Increasing the budget funds for funding scientific and research activities and technological development.
2. Improving the scientific and technological infrastructure (continuous activities for establishing and operating scientific excellence centres, technological parks and technological cores).
3. Staffing the Sector for Science and Technological Development Department in the Ministry of Education and Science.

3.25.2 FRAMEWORK PROGRAMMES

CURRENT SITUATION

The Memorandum of Understanding for the Seventh Framework Programme was signed on 13 June 2007 and entered into force as of 1 January 2007.

There are currently 12 National contact points in the network, covering all relevant priorities. Furthermore, 13 representatives have been nominated for the Research Programme Committees for the Seventh Framework Programme.

On the calls for applications during 2008, from the Republic of Macedonia 63 applications were submitted, 10 of which were successful projects with a budget of EUR 2,400,247, with an additional ten on the reserve list. 12 info days and workshops with 1140 participants have been organised.

Within the RENIMA project, the National Agency for European educational programmes and mobility organised the event Researcher's Night. It was attended by more than ten eminent research institutes, universities and companies.

SHORT-TERM PRIORITIES

1. Continuous activities for raising awareness on the opportunities of the Seventh Framework Programme and the preparedness and training of the scientific public applying for projects within the Seventh Framework Programme by the Ministry of Education and Science - organising conferences, info days, trainings and presentations covering state and private universities, public and private scientific institutions, small and medium-sized enterprises and independent researchers.
2. Continuous dissemination of information about the Seventh Framework Programme in order to ensure transparency of the Calls for proposals.
3. Intensifying the presentation and promotion of the programme at the regional level, at all universities in the Republic of Macedonia.
4. Taking measures and activities for enhancing the participation of the private sector in FP7.

5. Activities for improving the participation and results under the PEOPLE programme
6. Increased number of projects from the Seventh Framework Programme, focusing on topic areas: health, food, environment, energy.
7. Active participation in the WBC-INCO-NET programme supporting Western Balkans countries for improved participation in the Seventh Framework Programme and strengthening the capacities of the national contact point network, initiated on 1 February 2008 and running up until 31 December 2011.

INSTITUTIONAL FRAMEWORK

A Unit for International Cooperation in Science and the Seventh Framework Programme was established within the Ministry of Education and Science. Considering the obligations envisaged for the programme, it is planned to enhance the capacities of this unit.

1. Establishing special office for the Seventh Framework Programme within the Sector for Science and Technological Development, employing new staff in order to strengthen the capacities of this office.

MEDIUM-TERM PRIORITIES

1. Continuous participation in the WBC-INCO-NET programme supporting Western Balkans countries for greater participation in the Seventh Framework Programme and strengthening the capacities of the National contact point network, initiated on 1 February 2008 and running up until 31 December 2011.
2. Continuous dissemination of information on the Seventh Framework Programme, aiming to ensure greater information and transparency of Programme Calls, at universities around the country, scientific and research institutions and small and medium-sized enterprises;
3. Improved quantity and quality of participation in the projects of this programme
4. Establishing an FP7 liaison office of the Republic of Macedonia in Brussels.

3.25.3 EUROPEAN RESEARCH AREA

CURRENT SITUATION

The Republic of Macedonia took part in 43 COST programme actions for the period 2002-2008, one of which was proposed by the Republic of Macedonia.

Within the Seventh Framework Programme, the Ministry of Education and Science successfully participated in four projects: SEE ERA NET, SEE ERA NET +, WBC INCO-NET and ERA WEST BALKAN +, the implementation of which ends in December 2008.

The base of scientific workers from the Republic of Macedonia registered in WESTBALKAN RESEARCH NET has increased significantly, amounting to 215 science workers, with a growing trend.

In 2008, the Republic of Macedonia started the partner implementation of the WBC INCO-NET project for providing opportunities for greater participation of the scientific public from the Western Balkans countries in the research activities and projects in the European Research Area (ERA). The implementation of the Programme will last four years.

The SEE ERA NET + project has an overall budget of EUR 2,675,000, while the Ministry of Education and Science contributes with EUR 100,000. These funds are going to be used for funding regional scientific and research projects.

The research work at a local level in all programmes, apart from COST, has been funded by the European Commission.

At the EUREKA 2008 ministerial conference, held on 6 June in Ljubljana, the Republic of Macedonia was officially admitted as a full-fledged member of the EUREKA Initiative.

Obtaining the status of a member country allows for active involvement of the research and business sector by proposing innovation and development projects and their implementation in cooperation with the EUREKA partner countries. The Ministry of Education and Science will try to use this initiative to build a bridge between the science and the business sector.

Therefore, a liaison office for the EUREKA programme has been established within the Unit for International Cooperation and Seventh Framework Programme.

SHORT-TERM PRIORITIES

1. Organizing and delivering info days for COST and presenting the WBC INCO-NET, SEE ERA NET + projects to the scientific and research public in order to achieve greater transparency and dissemination of information and results arising from the project realisation.
2. Implementation of WBC INCO-NET and SEE ERA NET + for greater participation of the science public from the Republic of Macedonia in ERA by holding the relevant training events and presentations.
3. Raising awareness for the opportunities of the EUREKA programme, the degree of preparedness and training of the scientific public, as well as of business community entities for participation. It will be carried by delivering info days, training events and presentations, covering small and medium-sized enterprises, large companies, research centres, universities, and the public administration.
4. Promoting and enhancing the mobility of Macedonian researchers.
 - implementation of the project for creating the national Euraxess network for mobility of Macedonian researchers;
 - Opening network centres at the four state universities: Ss. Cyril and Methodius in Skopje; the State University in Tetovo; St. Clement of Ohrid University in Bitola; and Goce Delcev University in Stip, using the resources provided from EU funds.

INSTITUTIONAL FRAMEWORK

1. Organising training for 50 people on Administration and Management of EU Programmes.
 2. Strengthening the capacities of the liaison office for the EUREKA programme.
- In addition to the National Programme Coordinator (NPC), in the course of 2009, the Ministry of Education and Science will nominate a person to attend the meetings of the High Level Group (HLG).

MID-TERM PRIORITIES

1. Increased participation in COST actions.
2. Increased participation in the EUREKA programme through sustainable market oriented projects for economic development of the country.

3.26 EDUCATION AND CULTURE

3.26.1 EDUCATION, TRAINING AND YOUTH

CURRENT SITUATION

Primary and secondary education

Legislative framework

The Law on Primary Education (Official Gazette of the Republic of Macedonia No. 103/08) aligned with Council Directive 77/486/EEC of 25 July 1977 on the education of the children of migrant workers, was adopted.

The Law incorporates provisions of the *acquis* regulating the education of children nationals of EU member states, whose parents reside in the Republic of Macedonia where they work or have worked, i.e. are or have been employed on the territory of the Republic of Macedonia, granting them the right to acquire knowledge of their mother tongue and the culture of their native country. The Ministry of Education and Science is bound, in cooperation with the founder of the school and the country of origin of the student, capacities allowing, to support classes in the mother tongue and on the culture of the country of origin of the student.

The Law on Establishing a State Examination Centre (Official Gazette of the Republic of Macedonia No. 142/08) was adopted. The Law provides legal grounds for establishing a public institution that is independent in its operation, organising and conducting the state matriculation exam in secondary education, taking part in external assessment of student's achievements in primary and secondary education, as well as training candidates for principals and administering the exam for primary and secondary school principles.

The Law on Textbooks for the primary and secondary education (Official Gazette of the Republic of Macedonia No. 98/08) was adopted, regulating the procedure of publishing the textbooks, as well as designating the authorities in charge of the procedure. This Law also stipulates the establishment of a National Commission for textbooks as an expert body whose members are appointed by the Government of the Republic of Macedonia.

Institutional capacities

The activities for delivering the computers to primary and secondary schools within the "Computer for Every Child" project are ongoing. 95 per cent of secondary schools have recently received the computers. The computers are being installed in primary schools and expected to be completed in the upcoming period.

The "Renovation of Sanitary Facilities" project is underway in 345 schools, with allocations of MKD 205 million. MKD 40 million have been allocated for renovating sanitary facilities in secondary schools and the project is being realised in 35 secondary schools.

In February 2008, the Ministry of Education and Science announced a public competition for selecting internet providers for primary and secondary schools. The main purpose of the competition is to ensure an internet connection for the entire territory of the country, i.e. for each of the schools encompassed by the "Computer for Every Child" project, including 354 primary and 100 secondary schools.

According to the Annual work programme of the Bureau for development of education and the dynamics for introduction of the nine-year primary education in 2008, new curricula have been prepared for the nine-year primary education from grades IV to IX for all subjects. Teacher's manuals have also been prepared for all subjects for II-nd and III-rd grade, as well as for the optional subjects in IV grade. 10,000 teachers have been trained for implementing the new curricula, for descriptive grading in class teaching and for planning of the teaching process.

Implementation

Implementation of the concept of compulsory secondary education - according to Ministry of Education and Science data, 94% of graduated eight-graders from primary have enrolled in secondary school.

Short-term priorities

Legislative framework

1. Preparation of the bylaws for the Law on Primary Education;

2. Preparation of a Concept for compulsory secondary education - the Ministry of Education and Science in cooperation with the Bureau for Development of Education;
3. Drafting a Law on Secondary Education. The Law will transpose Council Directive 77/486/EEC of 25 July 1977 on the education of the children of migrant workers;
4. Preparation of the bylaws for the Law on Secondary Education;
5. Developing a Concept for gymnasium and art education.
The concept will consist of conducting an analysis on the gymnasium and art education in the country and other EU countries, that will enable development of new curricula and syllabi;
6. Developing new curricula and syllabi for the proposes of carrying out reforms in secondary and art education by the Bureau for Development of Education;
7. Continuing the activities of the committee working on drafting the National Qualifications Framework, aiming to establish a coherent qualifications system, a process supported by a CARDS Lifelong Learning project.

Institution building

1. Establishing a State Examination Centre
 - Establishing a Management Board;
 - Appointing an acting director;
 - Preparation of a Statute and Systematisation;
 - Staffing the SEC.
2. Continuous implementation of the Computer for Every Child project
 - equipping primary and secondary schools with 50,000 desks and 100,000 chairs as part of the project activities;
 - establishing school network;
 - establishing school network of the Regional schools.
3. Procuring ten busses for transporting students with special needs and students from rural communities
4. Providing free textbooks for the school year 2010/2011
5. Continuous implementation of the programme for Construction, superstructure, reconstruction and renovation of primary schools
6. Continuous implementation of the programme for Construction, superstructure, reconstruction and renovation of secondary schools
7. Completing the activities for improving the working conditions in primary and secondary schools through the project for Renovation of Sanitary Facilities, improving the health and hygiene conditions in schools around the Republic of Macedonia
8. Completing the process of fiscal decentralisation
9. Staffing the EU sector within the Ministry of Education and Science
10. Organising training for capacity building for the employees in the Ministry of Education and Science

Medium-term priorities

1. Realisation of reforms of the education for children with special needs - introducing four-year vocational education for students with special needs due to the new needs of the labour market and providing opportunities for continuing their education in higher education institutions
2. Developing new curricula for continuing the reforms in primary, secondary and art education

Institutional capacities

1. Measures for increasing the number of qualified staff for implementing the planned reforms introducing increased number of classes for foreign languages and Informatics in primary education
 - Increasing the number of enrolled students at the faculties for foreign languages;
 - Amending the curricula and syllabi of the Pedagogical faculties that educate staff for class teaching, aimed at enhancing their competencies for teaching English language.
2. Continuous implementation of the programme for Construction, superstructure, reconstruction and renovation of primary and secondary schools
3. Establishing a EURYDICE unit within the Ministry of Education and Science
4. Organising trainings by the Bureau for Development of Education for teachers on implementation the new curricula by the Bureau for Development of Education
5. Continuing the implementation of the "Computer for Every Child" project in primary and secondary schools
 - Training teachers for using computers in education.

6. Continuing the implementation of the project for building 145 gyms in primary and secondary schools. The project consists of two sub-projects:

- 115 gyms in primary schools;
- 30 in secondary schools.

Vocational education and training

Current situation

The following bylaws and norms have been adopted in the past period:

- Decision for establishing the National Council for Vocational Education and Training;
- Rulebook on the structure, organisation and implementation of the master's exam;
- Rulebook on the form, contents and manner of keeping the Register for verifying employers for practical training of students;
- Rulebook on the contents, form and procedure for signing the contract for practical training of pupils;
- Norms for teaching staff for education profiles in technical education;
- Norms for equipment, teaching means and aids for education profiles in the technical education.

Institution building

Pursuant to the Law on Vocational Education and Training, the Government of the Republic of Macedonia established a Council for Vocational Education and Training as an advisory body giving directions on creating strategic policies in vocational education and training.

The following activities have been carried out in the course of 2008: Prepared new and innovated curricula for the fourth year for education profiles in technical education, the secondary school for sports, students with special educational needs; prepared professional standards for vocational education and training for a number of vocations; prepared modular packages for training for vocations demanded on the labour market, as part of the Operative plan for active programmes and measures for employment for 2008; prepared programme documents for the vocation of baker; prepared examination programmes for assessing the skills of candidates after completing modular training for prequalification, further qualification or acquiring a certain qualification; prepared standards for vocations, modular packages and examination programmes for the master's exam and vocational training for crafts vocations; organised seminars on professional development of vocational school teachers; organised pilot trainings for vocations lacking the labour market.

Short-term priorities

Legislative framework

1. Adopting a Law Amending the Law on Vocational Education and Training

The provisions of the Law will stipulate the competencies of the Ministry of Education and Science, the activities within the competence of the VET Centre, specify the activities for adopting curricula and syllabi for post-secondary education, and specify the competencies of the VET Centre regarding the for adults.

2. Adopting the bylaws deriving from the Law on vocational education and training:

- Rulebook on the contents, form and manner of issuing diplomas and certificates for vocational education and training;
- Rulebook on the contents, organisation and implementation of the exam for assessing vocational skills;
- Concept and rulebook on the structure, organisation and implementation of exams at the end of all types of vocational education and training;
- Rulebook on the norms for equipment and premises for conducting practical student training;
- Rulebook on the norms and standards for vocational and other staff for conducting practical student training;
- Rulebook on the norms for staff in post-secondary education and training;
- Rulebook on the form, contents and manner of keeping the Register of Vocational Standards.

Short-term priorities/activities in the course of 2009 aimed at further implementation of the reforms in vocational education

1. Preparing a Concept for vocational qualification;
2. Preparing a Concept for vocational education for occupations ;
3. Preparing standardised tests for external assessment student's achievements for the separate subjects in the vocational education;
4. Preparing a Methodology for developing standards for occupations;
5. Continuous monitoring of the labour market demand vocational and skills;
6. Enhancing cooperation with social partners;
7. Preparing standards for occupations;
8. Preparing curricula and syllabi for vocational qualification and vocational education for occupations;

9. Participating in the evaluation of technical education (four-year education) and the sports gymnasium;
10. Preparing examination programmes;
11. Preparing modular packages for prequalification and further qualification, as well as acquiring qualification;
12. Delivering trainings on teacher's professional development;
13. Participation in creation of the National Qualifications Framework (in order to establish a coherent qualifications system);
14. Participating in the implementation of projects from Component IV of the IPA;
15. Implementing and managing projects supported by foreign agencies and donors (ETF, Austria, the British Council, CARDS);
16. Developing international cooperation.

Institution building

1. Improving and updating the website of the Centre for Vocational Education and Training;
2. training on professional upgrade of the staff in the Vocational Education and Training Centre;
3. Providing premises and technical equipment of the Centre for Vocational Education and Training;
4. Further staffing of the Centre for Vocational Education and Training in 2009.

Medium-term priorities

Legal framework

- Preparing bylaws deriving from the Law on Vocational Education and Training;
- Preparation of Concept for post-secondary education.

Medium-term priorities/activities in the course of 2009 aimed at further implementation of the reforms in vocational education

- Continuous monitoring of the labour market demand for vocations and skills;
- Enhancing the cooperation with social partners and realisation of practical training in companies;
- Preparing standards for occupations;
- Preparing curricula and syllabi;
- Preparing examination programmes;
- Preparing module packages for prequalification and further qualification, as well as for acquiring qualification;
- Organising and delivering trainings on professional upgrade of teachers;
- Mediating in student's career development and professional orientation;
- Participating in the development of the National Vocational Qualifications Framework and alignment with the European Qualification Framework;
- Implementing and managing projects where the VET Centre is participating ;
- Participating in the implementation of IPA projects;
- International cooperation.

Institutional capacities

- Staffing of the VET Centre;
- Technical equipping of the VET Centre.

Adult education

The Law on Adult Education (Official Gazette of the Republic of Macedonia No. 7/08) was adopted. The following EU measure has been incorporated in the provisions of the Law on Adult Education: Council Decision for Lifelong Learning of 27 June 2002, 2002G0709(01).

The Law on Adult Education provides the legal framework regulating adult education, the institutions competent to realise this type of education, the types and forms of adult education, the establishment of a special advisory body comprising representatives of all stakeholders in adult education, that will propose strategic priorities in the field as well as setting up an institution in charge of implementing adult education policies.

In November, the Government of the Republic of Macedonia adopted the Decision on establishing an Adult Education Centre (AEC).

An acting director of the Centre for Adult Education was appointed.

The procedures for establishing the Council and Management Board of the Centre are underway.

Short-term priorities

Legislative framework

1. Adopting the bylaws deriving from the Law on Adult Education:

- Rulebook on the content, form and the procedure for signing the contract for inclusion in the adult education
- Rulebook on the norms for equipment and premises standards for adult education providers;
- Rulebook on the form, content and manner of keeping the central register and municipal register of institutions implementing out recognised programmes;
- Rulebook on the title, content and form of certificates;
- Rulebook on the content and form of adult education documents and records.

Institutional capacities

1. Establishing a Management Board;
2. Establishing a Council for Adult Education (inter-agency authority);
3. Preparation of the Statute of the Centre for Adult Education;
4. Preparing a Rulebook on the systematisation of the Centre;
5. Preparing an Annual Work Programme and a financial plan f;
6. Staffing and technical equipment of the Centre;
7. Adopting an strategy and action plan for implementation of the Adult Education Programme in the context of lifelong learning (AEC);
8. Organising and conducting training to strengthen the capacities of the staff;
9. Organising campaigns to raise public awareness of the opportunities in the area of adult education.

Medium-term priorities

1. Implementation of the strategy on adult education;
2. Continuous organisation and delivering trainings for strengthening the capacities of the AEC;
3. Further staffing of the AEC.

Higher education

Current situation

Legislative framework

The Law on Higher Education (Official Gazette of the Republic of Macedonia No. 35/08) has been adopted.

The Law contains the principles of the Bologna declaration, in particular: the system of easily recognisable and comparable degrees of education, introduction of three-cycle study programmes, including an academic and research component in the third cycle lasting at least three years; valuing study programmes with credits (ECTS), common study programmes leading to a common diploma, adopting a national qualifications framework compatible with the comprehensive European qualifications network. The Law also provides for mechanisms for improving the employment of graduated students on the European labour market, such as lifelong learning; upgrading the established quality assurance system by including student representatives, employers and social partners. An international dimension has been incorporated in the evaluation processes by involving foreign experts and associations in the evaluation itself, inclusion in the European quality assurance network, as well as alignment with quality assurance standards and guidelines in the European higher education area. The Law provides the normative prerequisites for a university to be organised and exercise its functions as an integrated university.

The Law Amending the Law on Higher Education (Official Gazette of the Republic of Macedonia No. 103/08) has been adopted, providing for mechanisms for teaching and scientific staff upgrade at higher education institutions on the basis of published scientific papers in eminent international magazines with an impact factor.

Furthermore, in order to connect theory and practice, it was proscribed that 10% of compulsory programmes and 10% of optional programmes be conducted in clinics, i.e. taught by experts from the practice.

The Law provides that at higher education institutions the teaching staff with the title assistant and junior assistant will be abolished as of 2011, i.e. 2013.

Pursuant to the Law Amending the Law Establishing the Goce Delčev State University in Štip; the Law Establishing the Technology and Technical Faculty, the Veterinary Faculty and Faculty of Law within the St. Kliment Ohridski University - Bitola; the Law Establishing Faculty for Security within the St. Kliment Ohridski university in Bitola; the Law Amending the Law Establishing the Tetovo State University; (Official Gazette of the Republic of Macedonia No. 81/2008), the Government of the Republic of Macedonia opened 10 new faculties and 40 dispersing studies within existing faculties.

Short-term priorities

Legal framework

1. Adopting a Law Amending the Law on Higher Education

The amendments envisage an introduction of the possibility to elect subjects not only within the department within the university, but also at departments within other universities, aiming to create a broader legal basis for mobility, choice and profile creation by students, provisions stimulating teaching staff and student mobility through study stays, provisions on clearer application of clinic teaching provisions at higher education institutions when conducting joint study programmes with foreign universities. It is proposed that these legal solutions be applied as of 15 September 2010.

2. Adopting bylaws in the course of 2009 for implementation of the Law on Higher Education:

- Rulebook on the registration of higher education institutions;
- Rulebook on the content and form of the diploma and the guidelines for preparing the diploma supplement and other public documents;
- Rulebook on the form, contents and manner of keeping (hard copy and electronic) the Personal Registration Records of enrolled students and the Main book of graduated students ;
- Rulebook on keeping records for equivalence and recognition of foreign higher education qualifications.

Institutional capacities

1. Establishing a Council for development and financing of higher education.

2. Continuous implementation of the Programme for awarding PC vouchers to senior students at state and private higher education institutions in the Republic of Macedonia. The programme is implemented jointly by the Ministry of Finance, the Ministry of Education and Science and the Ministry for Information Society.

3. Improving the premises and technical conditions for students - reconstruction and building dormitories.

4. Reconstruction of facilities at the St. Kliment Ohridski University in Bitola, the Goce Delčev University in Štip, the State University in Tetovo, and the Ss. Cyril and Methodius University in Skopje.

Mid-term priorities

Legal framework

1. Adopting bylaws for implementing the Law on Higher Education:

- Decree on norms and standards for establishing higher education institutions and performing higher education activity, upon prior opinion by the inter-university conference, adopted by the Government of the Republic of Macedonia;
- Decree on the National framework for higher education qualifications, adopted by the Government of the Republic of Macedonia upon proposal of the Minister for Education.

Accreditation Board

- Rulebook on the organisation, work, decision-making, methodology, accreditation procedure, criteria, and accreditation standards, as well as other issues related to the work of the Accreditation Board, adopted by the Accreditation Board, approved by the Government.

Evaluation Agency

- Rulebook on the organisation, work and decision-making regarding issues within the competence of the Agency, approved by the Minister.

Council for Development and Financing of Higher Education

- Decree on merits and criteria for financing higher education institution activities, adopted by the Government of the Republic of Macedonia, upon proposal by the Minister;
- Decree on the merits and criteria for stimulating talented students and awarding scholarships to students with above average results in their studies;
- Decree on merits and criteria for co-financing studies at state higher education institutions and for other cost participation for students at higher education institutions.

2. Continuous attraction of foreign investments for opening higher education institutions by renown foreign universities.

Community programmes

TEMPUS, Erasmus Mundus - External Cooperation Window and Western Balkans Window

Current situation

TEMPUS

Higher education institutions in the Republic of Macedonia submitted a total of 68 project applications at the competition of the Tempus 4 programme, which ended on 28 April 2008. After the end of the selection process on 24 October 2008, 16 projects were approved, 2 of which were national and 14 regional, supporting the cooperation of higher education institutions in the Republic of Macedonia with higher education institutions in the Western Balkan countries. Out of 16, 12 are joint projects and 4 are structural projects. It has brought about a EUR 3.5 million budget allocations for the Republic of Macedonia.

Short-term priorities

1. Announcing the second competition within faze IV of Tempus in January 2009;
2. Submitting project applications by March 2009;
3. Projected increase of budget of the Republic of Macedonia through the competition (by grant).

The grant is one of the novelties in Tempus Faze IV , providing direct support to the Ministries responsible for higher education, granted by the European Commission, upon prior approved project application for a strategic action plan. The grants will be awarded annually up to an amount of EUR 150,000.

Erasmus Mundus - External Cooperation Window

The Erasmus Munds - External Cooperation Window component for Republic of Macedonia was opened by a competition announced in December 2007, ending on 15 February 2008. The universities in the Republic of Macedonia applied at this competition with six project applications, one of which was approved for funding. The "Basileus" project is a partnership of 8 EU universities and 12 universities from the Western Balkan countries. The project is funded by the Erasmus Munds External Cooperation Window programme of the European Commission and it is the first project supporting a wide scope of mobility for the region. The participants from the Republic of Macedonia are: the Ss. Cyril and Methodius University in Skopje, the St. Kliment Ohridski University in Bitola, and the South East European University in Tetovo. The project envisages a total of 101 mobility grants for Republic of Macedonia at all academic levels: undergraduate, post-graduate, doctoral, post-doctoral and academic staff.

Erasmus Mundus - Western Balkans Window

The Western Balkans Window component of the Erasmus Mundus programme for the Republic of Macedonia was opened in 2007. Students can apply for a Western Balkans Window scholarship only if they have been previously accepted as students by at least two partner universities in the consortium offering Erasmus Mundus Joint Studies. A total of 33 students from the Republic of Macedonia applied at the last competition that ended on 15 February 2008. 8 of them are on the main list for granting scholarships, while 9 are on the waiting list. EUR 1.5 million have been allocated for the Republic of Macedonia for Western Balkans Window scholarships.

1. Opening the competition for Erasmus Mundus External Cooperation Window for submitting applications until 15 February 2009;
2. Opening the competition for Erasmus Mundus Western Balkans Window for submitting applications until 15 February 2009.

Community programmes

Lifelong Learning and Youth in Action

In the course of the preparation faze of the National Agency for European Programmes and Mobility, the required documentation for participation of the Republic of Macedonia in the community programmes Lifelong Learning and Youth in Action was prepared: systematisation of the NA, Statute, Work programmes and the budget for the preparation fazes for both programmes

In the recent period activities have been realised directed towards successful operation of the NA

- Technical equipment of the agency (providing premises, procuring an adequate computer system, etc.)
- activities for staffing - appointing a Director, employing 15 persons;
- organised general and specialised staff training on management of the programmes and the financial aspects of programmes;
- promotion of and information about the National Agency and the programmes that will be manage and administrated by the NA via organising presentations and info day;
- Participation at work meetings and visiting other national agencies of the participating countries in order to exchange experiences and practices

Short-term priorities

1. Signing the contract for the preparatory faze in the course of 2009 with DG Education and Culture.

2. Staff training and administrative capacity building for the NA in order to implement the programmes, and other preparatory activities. The trainings will be delivered on several topics: basic skills on the management of programmes, advanced English, soft skills, on financial management, project operations etc.

The trainings are planned to take place in the country, in Brussels or in the National agencies of other participating countries.

3. Adopting rulebooks on the operation of the National Agency for European Education Programmes and Mobility.

4. Preparing and adopting the work programmes for the preparatory stage for 2009, including two sub-programmes: Lifelong Learning and Youth in Action, aiming to plan the activities annually and implement the programme:

- Communication with the line sub-programme officers in Brussels, organising study visits of National agencies of other participating countries;
- Visiting Assessment conferences;
- Visiting and attending seminars, work meetings and the National agencies network;
- Visit of the Agency for Centralised management of the programmes in Brussels;
- Organising a Promotion Conference ;
- Organising Info days for the programmes;
- Organising workshops for potential participants;
- Preparing promotional and information materials intended for all target groups, such as brochures, posters, flyers, CDs, DVDs etc.

5. Designing and launching a more comprehensive website including easy access to the programme guide, application forms, and information about the contact points from the National Agency for the respective programmes, sub-programmes and actions, general information and information on promotional events, application results, links to the EU Youth and the Lifelong Learning programme portal.

6. Managing pilot projects of the two programmes - Lifelong Learning and Youth in Action.

7. Preparation by the National Agency to take part in Europass. Taking over the coordination of this instrument is according to the example of the National agencies of EU Member states.

8. Staff enhancement of the National Agency for European Education Programmes and Mobility.

Medium-term priorities

1. Signing a Declaration of assurance by the Ministry of Education and Science, whereby this institution, as a national authority for the NA and a competent institution for monitoring and control of the work of the National Agency for European Education Programmes and Mobility, will confirm the readiness of the NA to manage EU programmes and funds.

2. Obtaining accreditation for full decentralised management of education programmes by the National Agency for European Education Programmes and Mobility

3. Signing the Memorandum of Understanding for the Lifelong Learning programmes and Youth in Action. Signing the Memorandum of Understanding and payment of the entry tickets by the Government of the Republic of Macedonia will enable full-fledged membership and use of these two programmes.

4. Staffing of the National Agency for European Educational Programmes and Mobility.

Youth

Current situation

The bylaws arising from the Law on Voluntary work have been adopted:

- Rulebook on the form and contents of a volunteer book, the manner of issuing and recording data
- Rulebook on the manner and procedure for issuing approval for voluntary work of aliens
- Rulebook on keeping records of voluntary work.

The Action Plan 2009 for implementation of the National Strategy for Youth was adopted, after being a subject of inter-sectoral consultation to government authorities, non-governmental organisations and international organisations in the Republic of Macedonia.

As regards creating local youth policies in five greater municipalities in Macedonia, analysing existing youth policies was initiated in order for local strategies to integrate the standards set by the National Strategy for Youth.

Short-term priorities

1. Adopting and publishing the Action Plan 2009 for implementation of the National Strategy for Youth and its presentation to the public.

2. Implementation of the National Strategy for Youth

- Implementation of the National Strategy for Youth according to established proposals in the Action Plan 2009 for each respective youth area;
- Inclusion of AP 2009 in the local plans of the municipalities.

3. Creating local youth strategies in five greater municipalities in the Republic of Macedonia, and training on drafting of Local Youth Strategies in ten municipalities.

4. Setting up a special Commission for Youth within the Parliament of the Republic of Macedonia.

Medium-term priorities

1. Continuous implementation of the National Strategy for Youth.
2. Preparing indicators for assessing the degree of implementation of the Action Plan for 2009.
3. Preparing a Strategy for youth employment, which will include the following activities:
 - developing an work programme on implementation with detailed project components;
 - preparing a budget for drafting and implementing the strategy;
 - preparing evaluation and monitoring systems, and conducting an evaluation of the strategy.

3.26.2 CULTURE

Current situation

Legal framework

The Ministry of Culture adopted Rulebook on the form and the contents of the forms for licences and certificates for transport and export of cultural goods abroad and the manner of issuing licenses and certificates (Official Gazette of the Republic of Macedonia 105/08), partially implementing Regulation (EEC) No. 3911/92 on the export of cultural goods and the Commission Regulation of 30 March 1993 laying down provisions for implementation of Council Regulation (EEC) 3911/92 on the export of cultural goods (752/93 EEC).

As of 1 September 2008, the Directorate for Protection of Cultural Heritage is issuing the permits and certificates for exporting and taking out cultural goods abroad on standardised and unified forms.

In 2008, the Ministry of Culture amended the regulations in the field of culture and aligned them with the Law on Misdemeanours (Law on Libraries, Law on Museums, Law on Memorials and Monuments, Law on Mandatory Copies, Law on the Use of Macedonian Language, and the Law on the Film Fund of the Republic of Macedonia).

The Government of the Republic of Macedonia adopted the National Strategy for development of creative industries, a strategic framework document contributing to maximising the potential of creative industries in the Republic of Macedonia.

Institution building

In the course of 2008, the Ministry of Culture, in cooperation with a citizen's association, organised a series of events for training staff in the culture sector in the Republic of Macedonia.

In June and October 2008, seminars were organised in five towns in the Republic of Macedonia. The overall objective of the events was to strengthen the capacities of the state administration and the NGO sector for easier access to funds of European and international foundations.

In April 2008, the Ministry of Culture, in cooperation with the civil sector, organised the "A Soul For Europe" forum in Skopje in 2008, a debate at the highest level with representatives from the European Parliament, the Stability Pact, the International European Movement and the highest authorities in the Republic of Macedonia in order to enhance the culture influence of our country in the region and in Europe.

Short-term priorities

1. Defining specific measures and activities for implementing the National Strategy for development of the creative Industries.

1. World conference on inter-religious and inter-civilisation dialogue on "The Contribution of Religion and Culture to Mutual Respect and Coexistence"

After the successful world conference on inter-religious and inter-civilisation dialogue on "The Contribution of Religion and Culture to Mutual Respect and Coexistence", from 26 to 28 October 2007 in Ohrid, in cooperation with the World Conference on Religion and Peace, the Ministry of Culture issued a collection dedicated to the Conference. Promotion of the publication "Ohrid Messages of Peace and Coexistence" (released in five languages: Macedonian, Albanian, English, French and Russian) was organised as well as the DVD documentary on the World conference on inter-religious and inter-civilisation dialogue. Within this event, the first meeting of the International committee took place. The topics and possible list of participants for the following conference, implementation of the Declaration of the first conference, setting up the website were discussed.

1. Holding two consultative meetings in the course of 2009 of the International committee for organising the next World conference in 2010.

Activities for promoting diversity of cultural expression

1. Continuing the activities for participation in the bodies established for implementing the Convention on the Protection and Promotion of the Diversity of Cultural Expressions by exchanging experiences on best practices for its further implementation.

2. Activities for carrying out a joint project by the UNESCO National committees of the Republic of Macedonia and the Republic of Turkey in order to implement the UNESCO Convention for Safeguarding Intangible Cultural Heritage, as well as the Convention on the Protection and Promotion of the Diversity of Cultural Expressions entitled "We share the same taste - the common traditional cuisine of Turkey and Macedonia". Expert groups have been set up from both countries and the research has begun in order to prepare a joint DVD and workshop on the above topic in Skopje.

3. Preparing an "Anthology of European Folk Songs", where the UNESCO - BRESCE Regional Bureau will participate with 50% of the costs. The songs have been selected with assistance of the UNESCO National commissions, the ministries of culture and the Embassies in Europe. The project is part of the activities implementing the UNESCO Conventions on safeguarding intangible cultural heritage and protecting and promoting the diversity of cultural expression.

Project implementation

Pilot project on culture and education

At the end of November 2007, the procedure was started for best architectural design for defining a culture route for connecting the Museums in Skopje, starting from the Museum of the City of Skopje, through Macedonia Square, the Stone Bridge, the Old Bazaar and the Kale Fortress area including the Museum of Macedonia (a complex of history, archaeology and ethnology museums) and the Museum of Contemporary Art; all within the Pilot Activities for Education and Culture, a project funded by the Government of the Republic of Italy, implemented by IMG. The project will enhance the development of cultural tourism, the promotion and education about the cultural heritage. The project is to be carried out in the course of 2008.

The project included the organisation of two events: "Management and Conservation of Macedonian Cultural Heritage" and "Conservation of Mosaics".

The "Macedonian Cultural Heritage" project

In the course of 2007, UNESCO donated EUR 50,000 for releasing 4 publications within the "Macedonian Cultural Heritage" project on the following topics: the Macedonian Churches, the Ottoman Monuments, the Cultural Heritage of Ohrid, and Archaeological sites. The carrier of the project is the Directorate for Protection of Cultural Heritage within the Ministry of Culture, while the project itself is within the regional project of the UNESCO - BRESCE regional office for developing and promoting cultural tourism. The funds are allocated from the newly established trust fund financed entirely from by the Italian government.

The project is scheduled for completion in the first half of 2009.

"Regional UNESCO centre for digitalisation of cultural heritage in Southeast European countries"

The Centre for digitalisation of cultural heritage in Southeast European countries was opened during the official visit of the Director-General of UNESCO, Mr. Matsuura, on 26 March 2008. The first of several scheduled training events by Minerva and UNESCO representatives took place in September.

In October 2008, a seminar was held organised by the National Committee for the Ohrid Region as a World Natural and Cultural Heritage, the UNESCO National Commission and the line ministries of culture, and environment and physical planning, in cooperation with the UNESCO National Commission and the UNESCO regional office in Venice - BRESCE. The seminar was dedicated to the draft text to the plan for managing the Ohrid region as a world cultural and natural heritage.

Short-term priorities

1. establishing a work group for developing a National programme for digitalisation of cultural heritage by the Ministry of Culture and the Directorate for Protection of Cultural Heritage.

2. Organising a Regional seminar on digitalising cultural heritage with the financial participation of UNESCO in order to exchange regional experiences in this area of particular importance for setting up a comprehensive electronic database of cultural heritage, its protection, promotion and education.

3. Drafting a plan for managing the Ohrid region as a cultural and natural heritage listed by UNESCO and submitting it to UNESCO.

Implementing the Regional Programme on the Natural and Cultural Heritage of Southeast Europe - implementing Component B - Joint Rehabilitation Plan for the architectural and archaeological heritage of SEE

Within the Joint Rehabilitation plan for the architectural and archaeological heritage of SEE (Component B), an activity implemented jointly by the Council of Europe and the European Commission, also known as the Ljubljana Process, three cultural and historical monuments from the Republic of Macedonia: the St. George church in Staro Nagoričane, the Bogoroditsa the All Glorious church in Ohrid, and Zlatkova Kula in Kratovo, have entered the list of 26 selected projects from Albania, Bosnia and Herzegovina, Croatia, Serbia, Montenegro, Romania, Bulgaria, and Kosovo.

Short-term priorities

1. Preparing a project fiche in order to include the St. George church in Staro Nagoričane in the funding from Component I of the IPA.
2. Preparing the appropriate documentation for the remaining two projects: business proposals for the projects and promotional files.
3. Promoting the projects to donors in order to allocate additional funding for their implementation.

European Digital Network of Cultural Heritage project, the HEREIN project of the Council of Europe, with the Ministry of Culture and the Museum of Macedonia as project coordinators

The European Network of Cultural Heritage, as a project for cultural cooperation, is a permanent information system uniting in the Council of Europe the authorities for protecting cultural heritage.

1. Finishing the preparation of a multilingual Thesaurus and Dictionary of terms in the field of cultural heritage.
2. Publishing and promoting the National Report on the Cultural Heritage in the Republic of Macedonia.

CULTURE (2007-2013)

Participation in the Community programme "Culture" (2007-2013)

On 29 February 2008, the Government of the Republic of Macedonia (Ministry of Culture) has signed the Memorandum of Understanding for participating in the "Culture" (2007-2013) Programme of the European Community. By signing the Memorandum of Understanding the Republic of Macedonia became a full-fledged participant in the abovementioned programme.

A special unit - Culture contact point, was established at the beginning of 2008 within the Sector for European Integration in the Ministry of Culture for the purpose of implementing the Culture 2007-2013 Programme.

In 2008, the Culture contact point for the Republic of Macedonia, co-financed by the Education, Audiovisual and Culture Executive Agency, carried out the activities pursuant to the Work programme of the culture contact points, as follows:

Promotion and informing : Launching a special website (www.ccp-macedonia.gov.mk), promotion of the Culture Programme by organising 4 events in Skopje with international experts on the Culture Programme, local events (Strumica, Bitola), presentations of the programme upon invitation by interested parties (workshop organised by the Music Youth of Macedonia, European Culture Foundation In Struga, a Congress for development of the tourism and culture in Bitola, organised by the Municipality of Bitola (EU cross-border programme), an event of EU funds organised by NGO Multimedia (European Culture Foundation), organizing media campaigns, publishing flyers (2), publishing a Culture Programme guide in Macedonian, publishing a brochure etc.

The CCP organised consultative services (individual meetings) with culture operators in the Republic of Macedonia.

The CCP participated at regular CCP meetings and at meetings of the Programming Committee on Culture Programme.

In June, the Ministry of Culture paid the entry ticket for the Culture Programme.

In October, the Grant Agreement for CCP Macedonia was signed by the Minister for Culture and the Director for Culture of the Executive Agency and 80% of the Grant was received in accordance with the Agreement.

Within the Call for Applications for 2008 by the European Parliament, 3 projects involving culture operators from the Republic of Macedonia have been approved, as follows:

1. Garden of Europe - a multi-annual project including an NGO Locomotive as project co-organiser, the leader is Dans Web from Austria.
2. Magor - publisher - application for literary translations.
3. Ili-Ili - publisher - literary translation.

Within the Call for Applications for 2009 the CCP has been informed that 4 applications have been submitted to the Education, Audiovisual and Culture Executive Agency by operators in the Republic of Macedonia applying with various positions in their projects (co-organisers, leaders). The results are expected in May, i.e. the final decision for approved projects will be announced in June/July 2009.

Short-term priorities

1. Completing the legal procedure regulating financial contribution by national authorities to successful projects already selected by the European Parliament in order for Macedonian cultural operators to successfully implement projects (considering that the EU Culture Programme is not a 100% EU grant, but 50% co-financing of cultural operators, in the Ministry of Culture, a procedure for establishing a legal regulating the financial contribution of the Republic of Macedonia for successful projects is underway). Such financial support for successful projects by national and local authorities is common practice in all participating countries in the Culture Programme.
2. Implementation of already approved projects with NGO Locomotive as project co-organiser (the leader is Dans Web from Austria), Magor - publisher - application for literary translation, Ili-Ili - publisher - literary translation.
3. Further implementation of activities in accordance with the work programme of the CCP Macedonia,
4. Improving the CCP website.
5. Preparing a monthly electronic bulletin.
6. Organising seminars and workshops to help and provide support for the cultural operators in the Republic of Macedonia to participate in the Programme and helping them find and establish serious partnerships with EU operators.
7. Continuously offering technical assistance to applicants in order to increase the number of applicants for the Call for 2010.
8. Continuous dissemination of information about the Programme and the results of the Calls for applications.
9. Conducting media campaigns and printed media campaigns for promoting the Culture Programme.
10. Setting up and maintaining a database of culture operators in the Republic of Macedonia and their networking with European counterparts.

Medium-term priorities

1. In accordance with the work programme, the CCP in Macedonia will continue with:
 - Active promotion of the programme,
 - Informing of the calls for applications,
 - Offering technical support to the cultural operators in the Republic of Macedonia for preparing project proposals, establishing strong partnerships, networking with operators from countries participating in the Programme, i.e. to make the European added value visible in the Republic of Macedonia.
2. Increased number of projects from the Republic of Macedonia in the Culture 2007-2013 Programme.

MEDIA (2007-2013)

Activities for participation of the Republic of Macedonia in Media (2007-2013)

In the course of 2008, the Ministry of Culture continued the communication with the DG Information Society and Media regarding the participation of the Republic of Macedonia in the MEDIA 2007 Programme. On 29 November 2007, the European Parliament adopted a new Directive on audiovisual media services to be implemented in the national legislation of European Union member states by the end of 2009. With the full harmonisation of the legislation with the new Directive, within the competence of the Ministry of Transport and Communications, the Republic of Macedonia will be able to participate fully in the MEDIA 2007 Programme.

Short-term priorities

1. Organising workshops by the Ministry of Culture on presenting the MEDIA Programme for getting as many as possible film professionals from the Republic of Macedonia acquainted with the opportunities offered by the Programme.
2. Communication with DG Information Society and Media regarding the participation of the Republic of Macedonia in the Media Programme.

3.27 ENVIRONMENT

3.27.1 HORIZONTAL LEGISLATION

CURRENT SITUATION

LEGAL FRAMEWORK

In November 2008, the Government of the Republic of Macedonia adopted the Decree on public participation in the process of development of regulations and other acts, as well as plans and programmes in the area of environment (Official Gazette of the Republic of Macedonia No. 147/08), based on the Law on Environment, in which Directives 2003/35/EC, 85/337/EEC and 96/61/EC have been fully transposed. In December 2008, the Law Amending the Law on Environment (Official Gazette of the Republic of Macedonia No. 159/08) was adopted, by which the fines for offences of III category falling under the competence of the court have risen significantly, reaching the range between EUR 70.000 and EUR 100.000, from EUR 8.000 to EUR 13.000 for the responsible person and EUR 5.000 for the official person.

In September 2008, the Government of the Republic of Macedonia adopted the National Set of Environmental Indicators of the Republic of Macedonia, for the following chapters: air, biological diversity, climate change, soil, waste, water, agriculture, energy, fishery, transport, health and tourism.

In this period, the Plan for institutional development of environmental management capacity on national and local levels 2009-2014 was developed, arising as an obligation from the 4th Sub-committee on Transport, Energy, Environment and Regional Development.

In October 2008, the Progress monitoring in the area of environment 2007/2008, monitoring the progress made in the process of national legislation approximation with the EU *acquis* was finalised; it included 64 Directives for which tables of concordance and surveys of implementation were filled.

In February 2008, the Government of the Republic of Macedonia adopted the National Strategy for Environmental Approximation, including sectoral studies in individual areas, presenting resources required for legal transposition of the EU *acquis*, its implementation, as well as resources for supervision and monitoring. Sectoral studies contain detailed plan for the remaining activities required in the process of approximation of the national legislation with the *acquis*.

At the beginning of 2008, the Government of the Republic of Macedonia adopted the Annual Programme for Investments in Environment for 2008 and public announcement for allocation of funds to finance certain activities of environmental protection was made. The level of resources allocated for the Programme for Investments in Environment for 2008 was increased by 60% compared to the Programme for 2007. On the basis of the applications submitted for funding and meeting the criteria specified in the announcement, an amount of MKD 130.000.000 was allocated to 109 legal and natural persons. Projects have been scheduled for implementation in 2008 and 2009. The Annual Programme for Investments in Environment for 2009 (Official Gazette of the Republic of Macedonia No.56/09) was adopted as well.

In the course of 2008, the development of Local Environmental Action Plans for four municipalities (Saraj, Rankovce, Vasilevo and Makedonski Brod) was completed.

CLIMATE CHANGE

During the reporting period, activities were undertaken at several levels in the area of climate change and Kyoto Protocol. Particular attention was paid to cooperation on international, regional and EU level. The Second National Communication on Climate Change was adopted and the country participated in the development of the Regional Action Plan for Climate Change Adaptation. The work of several conferences (UN General debate on climate change, Conference of the Parties to the United Nations Framework Convention on Climate Change and Kyoto Protocol, Conference on Investments) was attended, too.

During this period, regular communication was maintained with all potential investors based on Clean Development Mechanism under the Kyoto Protocol. The Government of the Republic of Macedonia, through the Ministry of Environment and Physical Planning, has continued the active implementation of the Clean Development Mechanism under the Kyoto Protocol by way of bilateral cooperation with the Italian Ministry of Environment, Territory and Sea. Cooperation has been initiated with the Government of the Kingdom of Norway towards local capacity building for projects development in the area of climate change. The web site of the Ministry, the part regarding climate change, was redesigned to provide the best possible presentation of activities carried out in this area.

In the area of hydrometeorological affairs, in 2008, the Assembly of the Republic of Macedonia adopted the Law on Hydrometeorological Activity (Official Gazette of the Republic of Macedonia No. 103/2008), which regulates the basis for operation of the Hydro-meteorological Directorate. Central meteorological and hydrological observation system has been established on the territory of the Republic of Macedonia as an integral part of the global weather observation system.

Protection and rescue

In June 2008, the Assembly of the Republic of Macedonia adopted the Law Amending the Law on Protection and Rescue (Official Gazette of the Republic of Macedonia No.86/2008) by which transposition of part of SEVESO II Directive (96/82/EC and 2003/105/EC) was made in the domain of involvement of the Protection and Rescue Directorate in the auditing of the plans for protection and rescue and harmonisation was achieved with the Law on Crisis Management and Law on Misdemeanours.

In March 2008, the first bilateral agreement for mutual assistance in case of disasters and other accidents was signed with the Council of Ministers of Bosnia and Herzegovina. This event was followed up by signing of such Agreement with the Government of Montenegro in December 2008. The procedure for signing bilateral agreements of this kind with other countries in the Region is underway. The validity of the Memorandum for Cooperation with the International Trust Fund for Demining and Mine Victims Assistance has been extended for further two years.

The Centre for Crisis Management acts within the authorisations provided for in the Law on Crisis Management (Official Gazette of the Republic of Macedonia No.82/2005), which regulates the system of prevention, early warning and coping with crisis that pose risk to goods, health and life of people and animals.

The Centre also signed agreement for bilateral cooperation with the Republic of Turkey in the area of prevention, restriction, and mitigation of consequences from accidents and disasters, on 4 May 2008.

INSTITUTIONAL FRAMEWORK

In the course of 2008, 26 new civil servants were employed in the Ministry of Environment and Physical Planning, strengthening especially the capacity of the Directorate Environment (Sector for Environment – Unit for Environmental Impact Assessment Division), as well as the Department of European Union.

Apart from capacity strengthening at central level, capacities at local level have been strengthened as well for the purpose of implementing the obligations that fall within the responsibility of the units of local self-government in accordance with environmental regulations, through new employments reaching the status where 118 civil servants in LSGUs work on environment. Strengthening of the capacities of LSGUs has been achieved in inspection supervision, with 65 communal inspectors and 26 inspectors of environment at present. Trainings of environmental inspectors have continued in the domains of environmental legislation enforcement and conduct of misdemeanour procedures. Trainings have been also carried out in relation to the performance of strategic environmental assessment, industrial accidents management, introduction of ISO standards and maintenance of the register of environmental polluters.

In September 2008, the Commission for examination in Environmental Impact Assessment and Commission for examination in Strategic Environmental Assessment were established, as precondition for the establishment of the List of experts in Environmental Impact Assessment and List of experts in Strategic Environmental Assessment.

During this period, increased number of initiated misdemeanour procedures has been submitted to the Commission on misdemeanours resulting in imposing of misdemeanour sanctions, thus 100 requests for initiation of misdemeanour procedures have been submitted in total, and sanctions have been imposed for 73, 27 are pending.

Data to European Environmental Agency has been submitted regularly as continuous activity and relevant meetings were attended.

With the support of TAIEX Office for technical assistance under DG Enlargement of the EC, workshop on the implementation of PRTR – Protocol on Pollutants Transfer and Release Registers – towards the “Implementation of Environmental Impact Assessment (EIA) Directive” was organised.

Enrolment of new schools in the implementation of the GLOBE Programme was made, and the following activities were carried out in relation to this Programme: trainings for trainers for the programme implementation; equipment, i.e. chemical kits were provided for the current and new schools to enable the implementation of the GLOBE Programme.

Through the Project supporting the national preparations of the Republic of Macedonia for EU membership in the area of environment provided by the Kingdom of Sweden through SIDA/SEPA, a workshop was organised in Skopje and study visit was carried out in Sweden aimed at capacity building in the area of nature.

As every year, continuous activities of the Ministry include implementation of campaigns for environmental public awareness increase and celebrating the days of the ecological calendar in accordance with the Work Programme of the MEPP, provision of support for non-governmental organisations in relation to public awareness, as well as implementation of educational, research and development activities for environment protection and improvement.

CLIMATE CHANGE

In the segment of bilateral cooperation with the Italian Ministry of Environment, Territory and Sea, three workshops were organised in relation to the Clean Development Mechanism aimed at strengthening national capacity in identification and development of projects based on this mechanism.

The Ministry of Environment and Physical Planning, in line with its legal obligation for implementation of promotive activities concerning the Clean Development Mechanism, at the invitation of institutions, carries out presentations of activities implemented in the country.

Hydrometeorological Directorate is the responsible body for the performance of the matters in the area of hydrometeorological activity within the Ministry of Agriculture, Forestry and Water Economy. The Directorate has 213 employees.

Agreements for bilateral cooperation have been signed in the area of hydrometeorological activities, with specific focus on broadcasting of storms (intensive rain or snow falls, storm winds, intensive and dangerous thunders, floods, sudden water contamination and air pollution, etc.) with the respective services of the Republic of Serbia (March 2005), Republic of Croatia (December 2004), Republic of Albania (December 2004), Republic of Turkey (December 2006), Finland (December 2006), Republic of Montenegro (December 2008).

PROTECTION AND RESCUE

Protection and Rescue Directorate is the responsible body in the area of protection and rescue in the Republic of Macedonia, which is an independent body of the state administration operational since 16 May 2005 with 260 employees at present. The basic functions of the Directorate include planning, organisation and implementation of the system of protection of people, environment, material assets, natural resources, fauna and flora and cultural heritage against natural disasters and other accidents during peace, emergency and war conditions in the Republic of Macedonia.

Inspection supervision over the enforcement of the provisions of the Law on Protection and Rescue and Law on Fire Prevention regarding operational performance of fire-fighting brigades, organisation of fire extinguishing, maintenance, servicing and examination of stable installations for fire detection, reporting and extinguishing, as well as maintenance, servicing and examination of fire extinguishers is performed by the independent unit for the inspector general of the Directorate, which has 43 inspectors for protection and rescue with special authorisations, allocated to almost all units for protection and rescue in the country.

The Crisis Management Centre (CMC) is the responsible body in the area of crisis management in the Republic of Macedonia as an independent body of the state administration established in 2005, and it has 276 employees in total. In this period, staffing has been supplemented by five new employments. The basic functions of the Centre include providing information, monitoring the situation, exchange of data and information and making proposals with regard to crisis situation management and elaboration of assessment of the extent of threat to the security of the country.

Inspection supervision over the enforcement of the Law on Crisis Management and other bylaws arising from it, is performed by the Centre through inspectors for crisis management. At present, the inspection unit of the CMC counts six inspectors in total.

Within the Crisis Management Centre, a Crisis Management Register of Entities and Contact Persons have been established. The first phase of the Project for single European (telephone) number for emergency calls – E-112 is in progress in the Republic of Macedonia (the procedure is conducted by way of international announcement; for more details, please see Chapter 3.10 Information Society).

Based on the interest expressed by the Republic of Macedonia, request has been submitted to sign Agreement between the Republic of Macedonia and European Community for involvement of the Republic of Macedonia in the Community Mechanism for civil protection and Financial instrument for civil protection.

In May 2008, the Republic of Macedonia signed the Agreement with Turkey for cooperation in the area of prevention, restriction, mitigation of consequences from accidents and disasters.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

By the middle of 2009, amendments have been envisaged to the Law on Environment in order to provide legal basis for further approximation with the relevant European Union Directives in the area of reporting and qualifying the provisions in the area of financing.

In addition, adoption of bylaws has been envisaged among short-term priorities concerning the form, the content, the methodology and the manner of keeping the register of pollutants, the form, the content, the methodology and the manner of keeping the Cadastre of environment established in accordance with the PRTR Protocol under the Aarhus Convention.

During the first quarter of 2009, bylaws will be adopted to regulate the form and the content of the elaborate on environmental protection, determine the activities for which elaborates shall be developed and the manner and procedure for their approval, as well as to regulate the manner of keeping the Register of approved elaborates. In addition to this, activities requiring compulsory development of elaborate will be determined, for the approval of which the competence lies with MEPP or the Mayor of the Municipality, the Mayor of Skopje or the Mayor of the Municipality of the City of Skopje. These acts do not apply direct transposition of EU measures, but they contribute to the improvement of the system of project environmental impact assessment in accordance with the EIA Directive, i.e. where no environmental impact assessment study for projects is developed.

At the same time, the types and the levels of expenditures for the environmental impact assessment procedure conduct to be paid by the investor will be regulated, and the manner and the procedure of public information concerning data on projects that are not subject of environmental impact assessment will be regulated, too.

The List of experts in environmental impact assessment and List of experts in strategic environmental assessment will be established.

The Protocol on Pollutants Transfer and Release Registers to the Convention on Access to Environmental Information, Public Participation in Environmental Decision Making and Access to Justice in Environmental Matters (PRTR) (Aarhus) will be ratified during the first half of 2009.

CLIMATE CHANGE

It has been envisaged that the activities that are underway in the frames of the bilateral cooperation with the Republic of Italy and the Kingdom of Norway continue during 2009. The need for signing an agreement for cooperation in the segment of the Clean Development Mechanism with the Kingdom of Denmark, at initiative from their side, will be analysed.

In May 2009, the Second National Communication on Climate Change will be presented before the bodies of the UN Framework Convention on Climate Change. In this period, the positions of the country will be analysed prior to the final definition of the status of the Kyoto Protocol for the post 2012 period at the 15 Conference of the Parties in Copenhagen, December 2009.

In the forthcoming period, the focus will be on bylaws concerning climate change and Clean Development Mechanism based on the Law on Environment, in order to establish the conditions, the manner and the procedure for developing the National Inventory of anthropogenic emissions of greenhouse gases by sources and sinks, as well as the procedure, the manner, the form and detailed conditions for determination of compliance, application and approval of clean development projects.

The following planning documents will be adopted in the course of 2009 as short-term priorities of the Hydrometeorological Directorate:

- Strategy for development and improvement of hydrometeorological service in the Republic of Macedonia / 2009 – 2011 / by means of which the observation hydrometeorological system should be modernised, measured phenomena and magnitudes should be validated and transmitted to the central system, where this information will be available to broadcasting system for the purposes of broadcasting and warning for storms, climate change assessment and protection of the population and material assets against floods;
- Work Programme of the Hydrometeorological Directorate for the period 2009 to 2011, which will define the activities of meteorological network, hydrological network, water and air monitoring networks and radar observation system through analysis of the existing system in terms of its deficiencies and needs for networks modernisation.

In this period, the bylaws arising from the Law on Hydrometeorological Activity (Official Gazette of the Republic of Macedonia no. 103/2008) will be adopted, to establish the criteria for establishment and manner of operation of the national hydrometeorological network of stations, criteria that should be met by hydrological stations at surface and ground waters, meteorological, climatological, agro-meteorological, phenological and pluviometering stations, radar meteorological centres, the manner of operation - observation and measuring, the manner of data validation, transferring and filing. A regulation will be adopted to regulate the manner of construction, equipment, maintenance, operation, protection and development of the national hydrometeorological network of stations, define the standards to be achieved in stations construction, equipment to be possessed in each station type, the manner of equipment maintenance and protection. A regulation will be adopted to establish the procedures and the manner of observation and measurement of qualitative features of waters in the network of hydrological stations; this regulation should define the analytical methods for determining the content of substances in surface and ground waters in order to establish the morphological and chemical status, i.e. potential of waters. A regulation will be adopted to provide for the grounds of the broadcasting system and air, water and soil quality broadcasting procedures; this regulation should specify the possible broadcasting models that may be used, the procedure for broadcasting of air pollution episodes or sudden and extraordinary water contamination. Through these regulations, Directives 2000/60/EC, 91/271/EEC, 91/676/EEC will be transposed.

Memorandum of Understanding will be concluded between the Hydrometeorological Directorate and Crisis Management Centre for the purpose of mutual cooperation, coordination and communication in the context of hydrometeorological activity.

PROTECTION AND RESCUE

The National Strategy for Protection and Rescue will be adopted at the beginning of 2009 and it will provide the outline of the system for protection and rescue in the coming five-year period; National Plan for Protection and Rescue will be adopted as well, to specify preventive and operational measures for protection and rescue from natural disasters and other accidents. Two new bylaws will be adopted as well, as a result of the amendments to the Law on Protection and Rescue. The first one will regulate the measure for protection and rescue in technical and technological accidents, which will specify preventive and operational measures to be undertaken by the responsible entities in the context of protection and rescue in technical and technological accidents. It will elaborate further the application of SEVESO II Directive. The second bylaw will regulate the measure for rescue in traffic accidents.

The Strategy for Human Resource Management will be adopted in this period, currently developed by the Crisis Management Centre; the development of the Training Programme for the staff of the CMC and entities involved in the crisis management system will commence, too.

INSTITUTIONAL FRAMEWORK

Strengthening of the capacity of the Administration of Environment and State Inspectorate of Environment, as constituent bodies of MEPP, will be carried out as short-term priority through:

- new employments,
- procurement of equipment for MEPP_SIE,
- further training of current and new staff in the implementation of envisaged activities.

Trainings envisaged to take place during this period will focus on:

- requirements of the Directive on liability for environmental damage, and
- enforcement of the relevant regulations on liability for damage intended for environmental inspectors,

In addition to capacity strengthening at central level, capacities will be strengthened at local level as well for the purpose of implementing the obligations that fall within the competence of the units of local self-government in line with the environmental legislation. This will be achieved through provision of:

- new employments, and
- organisation of trainings on the implementation of obligations deriving from environmental legislation, involving environmental inspectors at local level. Trainings will focus on:
 1. Implementation of strategic environmental assessment,
 2. Requirements of the Directive on liability for environmental damage, as well as
 3. Enforcement of relevant regulations on liability for damage intended for environmental inspectors.
 4. Trainings of environmental inspectors in the implementation of environmental legislation will continue.

The Plan for institutional development of environmental management capacity at national and local levels 2009-2014 will be adopted at the beginning of 2009. This document takes as its starting ground the general strategic commitments of the Government of the Republic of Macedonia contained in strategic, planning and programme documents, as well as strategic

commitments contained in documents in the area of environment. The goal of this document is to establish the functions and propose a plan for institutional development of the bodies of the state administration and bodies of the local self-government in short-term, indicating the need to develop a plan for institutional development in five-year period (2009 – 2014). The document is not intended to make full identification of all individual activities that are defined for each administrative body separately by legal provisions. On the contrary, the goal is to identify individual activities and cluster them into more general framework of functions for which certain body is responsible, whether on central or local level, and this will enable the body later to determine the need for additional administrative capacity for each individual activity or delegate it to the existing one, depending on the volume of the tasks. In this way, after the identification of the existing organisational structure and capacity, the structure and capacity required for efficient performance of the functions for which the bodies of the state administration are responsible will be established.

In the course of the first quarter of 2009, the Government of the Republic of Macedonia will adopt the National Strategy for Sustainable Development and the National Strategy for Environmental Investments.

In this period, Local Environmental Action Plans (LEAPs) will be adopted for the Municipalities of Kratovo, Kisela Voda and Aerodrom, financed under the Programme for Environmental Investments for 2007, as well as for the Municipalities of Ohrid, Brvenica, Novaci and Butel, developed with the financial support under the Programme for Environmental Investments for 2008. Performance of misdemeanour and mediation procedures will remain as continuous activities of the Misdemeanour Commission and Mediation Commission, respectively.

Activities under the GLOBE Programme will proceed in the course of 2009 through enrolment of new schools in the implementation of the GLOBE Programme. The activities will include:

- trainings for the trainers in the Programme implementation,
- provision of equipment - for current and new schools to enable the GLOBE Programme implementation.

In addition to the above, on the Day of Planet Earth and Day of the GLOBE Programme 22 April 2009, in Skopje, the GLOBE fair will take place, where the schools participating in the GLOBE Programme will compete by specific projects prepared for the purposes of this Programme.

Delivery of data to the European Environment Agency will continue as regular activity and relevant meetings will be attended.

For the purpose of establishing the State monitoring network for environmental media and areas, activities will be initiated in this period towards assessment of the existing networks (monitoring stations) which carry out measurements of the quality of media (water and air) and areas (noise) of the environment. Consequently, the State monitoring network for environmental media and areas will initially consist of state air and water quality and noise monitoring network to be gradually upgraded in other environmental media and areas.

In this period, the support to the implementation of projects by LSGUs will continue in the domains of construction of infrastructure facilities in the areas of water and waste, as well as in the areas eligible for funding under the Programme for environmental investments for 2008 and through the budgets of the MEPP and the Ministry of Transport and Communications (MTC).

In this period, the Study on the assessment of the status of asbestos in public pre-school institutions in the Republic of Macedonia will be developed.

CLIMATE CHANGE

Two workshops/trainings will be organised in the course of 2009 in the frames of the cooperation with the Kingdom of Norway. Two workshops will be held in the frames of the cooperation with the Italian Ministry of Environment, Territory and Sea in the segments of technical and legal components.

Hydrometeorological Directorate will have its capacity strengthened through new employments and organisation of continuous trainings of the staff of the Directorate.

In parallel with the above, remediation and reconstruction will be undertaken on buildings of the main meteorological stations in the Republic of Macedonia, including stations in: Ohrid, Bitola, Stip, Demir Kapija, Gevgelija and Skopje-Petrovec (aerial station) will be carried out, automatic recording instruments will be procured to measure meteorological magnitudes, equipment of meteorological stations will be conducted by personal systems and linkage with the Directorate; automatic recording instruments will be procured to measure surface and ground waters at existing stations; development, technical and instrumental equipment of new piezometers to monitor the levels of ground water bodies; provision of protective equipment for the workers involved in the system for protection against hail; provision of field vehicles, technical equipment of the Directorate (administrative, technical and information technology provision).

Application will be submitted concerning membership and cooperation of the Republic of Macedonia through the Hydrometeorological Directorate with: EUMETSAT (European Organisation of Meteorological Satellites) and ECMWF (European Centre for Medium-Range Weather Forecasts), EUMETNET (European Network of Meteorological and Hydrological Monitoring System) and EUPOALARM (European system for warning and alarming with regard to intensive unfavourable meteorological events).

PROTECTION AND RESCUE

The strengthening of the Protection and Rescue Directorate will be achieved through new employments and continuous training of the Directorate staff. In parallel with this, the procedure for procurement of fire fighting equipment (vehicles, aircrafts and other equipment) will be finalised, and the assets will be owned by the Directorate; equipment will be procured for the quick response teams and trainings will be carried out, as well as technical equipment of the Directorate (administrative, technical and information technology provision).

The remaining 35 quick response teams out of the envisaged 64 will be established by the end of 2009.

Signing of bilateral agreements with the countries in the Region for receiving and delivery of assistance in case of disasters and other accidents will continue as priority activity, and international exercises, seminars and trainings will be attended.

The strengthening of the Crisis Management Centre (CMC) will be achieved through continuous training of the CMC staff and participation in international exercises, seminars and trainings.

In this period, activities will be undertaken towards regular maintenance of the Geographical Information System (GIS) in the CMC.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

Adoption of bylaws on liability for environmental damage has been envisaged by the end of 2010 and by this Directive 2004/35/EC will be transposed; bylaws will also be adopted for the purpose of establishment of environmental information system. Namely, professional activities the performance of which can lead to occurrence of liability for environmental damage will be defined, the criteria for establishing the existence of environmental damage will be set, as well as cases in which, as an exception, no liability for environmental damage will occur, including also the measures for remediation of the environmental damage done. By way of bylaws, the manner of data delivery from the monitoring of legal and natural persons will be specified, including public and state bodies that possess sources of emission and by their activities make impact on one or more environmental media and areas and/or use natural resources. The manner, the procedure and the form of data delivery from the state monitoring network will be specified, as well as the form, the content, the methodology and the manner of keeping the Register of pollutants and their features.

Review of the state of environment will be developed in cooperation with the United Nations Economic Commission for Europe.

In parallel with the above, the process of development of the State of Environment Report will commence, as an obligation deriving from the Law on Environment and Directive 91/692/EC.

According to the Law on Environment, the MEPP will adopt the Rulebook on the manner and the procedure for collection, processing, systematisation, keeping, use, distribution and presentation of data and information produced by state monitoring network and local monitoring network, by which Directive 91/692/EC on the standardisation and rationalisation of the reports on the implementation of certain environmental directives will be transposed. In addition to this, the content, the form, the methodology and the manner of environmental indicator report will be established.

CLIMATE CHANGE

In the segment of transposition of Directive 2003/87/EC on trade in emissions, activities will be initiated towards analysis of its requirements, for the purpose of its easier implementation in the post 2012 period when the first period of commitments under the Kyoto Protocol ends.

INSTITUTIONAL FRAMEWORK

Strengthening of the capacity of the MEPP will be provided through implementation of the project Strengthening of capacity in environmental management at central and local levels, expected to commence in 2010. The goal of the project will be to strengthen administrative capacity at central and local levels in the area of environmental management, through drafting of laws and their harmonization with the relevant EU Directives in the area of environment and implementation of the legislation, with particular accent on the areas of ambient air quality and waste management and consequently the aspects covered by Industrial Pollution Prevention and Control (IPPC) and Environmental Impact Assessment (EIA). The project is financed by the European Union through IPA funds - Component 1.

The Project Strengthening of institutional capacity in the approximation and implementation of the EU environmental *acquis*, in the areas of water and nature, will commence in 2011 and last by the second quarter of 2013. The goal of the project is to strengthen institutional capacity on central and local levels in the approximation and implementation of the EU environmental *acquis*, in the areas of water and nature, through drafting of bylaws, establishment of procedures for collection of data on biological diversity and establishment of biological diversity management system, as well as strengthen administrative capacity of administrative bodies of Vardar River basin. The project is financed by the European Union through IPA funds - Component 1.

Strengthening of the capacity of MEPP in this period has been envisaged through:

- new employments,
- technical equipment and provision of trainings of the staff in the competent institutions in the implementation of the legal obligations and regulations on liability for environmental damage,
- trainings in keeping the national cadastre of polluters in the Republic of Macedonia, implementation of E-PRTR and data modelling, use of software application under PRTR, as well as
- training in information technology, and
- procurement of equipment for monitoring, modelling and national information system.

It has been also planned to strengthen the capacity of LSGUs in environmental management at local level, through provision of:

- new employments,
- technical equipment, and
- provision of trainings for the employees in the competent institutions at local level in the enforcement of legal obligations in the area of environment.

Implementation of public awareness campaigns in the area of environment will continue in this period, as well as fostering of educational, research and development studies, programmes and projects, etc. in environment and nature protection and improvement.

The maintenance of the List of experts in environmental impact assessment and List of experts in strategic environmental assessment will continue.

For the purpose of evaluating the projects based on the Clean Development Mechanism with regard to their compliance with sustainable development, national criteria for sustainable development will be adopted in this period.

In this period, reporting of data and cooperation with the European Environment Agency will continue, in order to achieve as high as possible percentage of environmental data delivered.

State environmental media and areas monitoring network will be established.

In this period, support to the implementation of projects of the LSGUs will continue towards construction of environmental infrastructure facilities in the areas of waste and water, as well as in other areas financed through annual programmes for environmental investment and through the budget of the MEPP and MTC.

CLIMATE CHANGE

In this period, development of project ideas and initial implementation for some of the project proposals contained in the Second National Communication on Climate Change will be carried out in the segment of energy efficiency.

Strengthening the potentials of the Hydrometeorological Directorate for accurate weather forecasting and warning, more accurate climate forecasting and assessments of more precise hydrological forecasts and estimates.

In this period, administrative capacity building will continue through new employments, and the implementation of formerly undertaken activities related to rehabilitation and reconstruction of buildings in the main meteorological stations in the Republic of Macedonia, automatisisation of meteorological instruments and exchange of meteorological information will continue.

Activities will be undertaken towards renewal and modernisation of the network of hydrological stations for surface and ground waters and their provision with sophisticated equipment; procurement of radar system to cover the south-eastern part of the country, procurement of spare parts for the existing radar systems, renewal of the systems for counter-hail rockets firing, renewal of telecommunication system; procurement of field vehicles, provision of personal systems in meteorological stations and their linkage with the Directorate, development of central hydrometeorological database, development of database separately for

meteorological, hydrological and other data, as well as technical upgrading of the Directorate (administrative, technical and information technology equipment).

Also, the process of training needed by the employees in the areas of hydrology, meteorology, weather forecasting, climatology, aero-meteorology, artificial influence on weather and protection against hail, water and air quality monitoring, will continue.

PROTECTION AND RESCUE

In this period, strengthening of administrative capacity will continue through procurement of equipment and organisation of trainings needed by the rapid response teams; national forces for protection and rescue, and representatives of the Protection and Rescue Directorate will participate in international exercises, seminars and trainings.

In this period, Training Programme will be prepared for the staff of the CMC and entities involved in the system of crisis management, and participation of the CMC staff and other entities involved in the crisis management system in international exercises, seminars and trainings will continue, too.

At the same time, the activities for regular maintenance of the Geographical Information System (GIS) in CMC will continue.

FOREIGN SUPPORT

- In 2008, the Project to support national preparations of the Republic of Macedonia for EU membership in the area of environment commenced, with the support provided by the Kingdom of Sweden through SIDA/SEPA. The goal is to prepare the Republic of Macedonia for the forthcoming negotiations with the European Commission for the chapter Environment. The project duration is from 31 December 2007 to 31 December 2009 and its value is EUR 155,000.

- Strengthening of environmental management capacity at central and local levels will be carried out between the 2nd quarter of 2010 and the end of 2012. The project is funded by the European Union through IPA - Component 1 and its total value is EUR 3,100,000.
- Strengthening of institutional capacity in the approximation and implementation of the European environmental *acquis* in the areas of water and nature will start with its implementation as of 2011 and last by the 2nd quarter of 2013. The project is funded by EU - IPA, in the amount of EUR 3,422,222, and local co-financing amounts to EUR 422,222.

CLIMATE CHANGE

The Project "Climate Change Economics", implemented by UNDP Regional Office, commenced in January 2009 to be completed in September 2009, administered by MEPP, in the amount of EUR 45,000.

The project managed by the Ministry of Economy "Energy Efficiency in Buildings", containing component on climate change, will commence in the first half of 2009, with duration of three years; it is funded by the Austrian Government and the Austrian Development Agency, in the amount of EUR 350,000.

The project "Carbon independent and climate change resistant territories", with a value of USD 1,000,000, is expected to commence in the first half of 2010, administered by MEPP and implemented by UNDP.

The project "Industrial Energy Efficiency" implemented by UNIDO and UNDP in the amount of EUR 50,000 has been planned.

Protection and Rescue Directorate

- Project for cleaning the Ohrid Lake from unexploded deadly means, in cooperation with and as a donation of the International Trust Fund for Demining and Mine Victims Assistance to the level of 60% or EUR 85,928 and contribution from the Government of the Republic of Macedonia of 40% or EUR 57,000 has been planned;
- Harmonisation of seismic risk maps with the SEE countries as part of the Initiative for prevention of and preparedness for disasters in SEE, with financial support from NATO, Sweden, Denmark and Switzerland, will commence in 2009 with a duration of three years and value of EUR 800,000;
- Project aimed at establishing joint rapid response teams in case of floods with the SEE countries as part of the Initiative for prevention of and preparedness for disasters in SEE, with financial support from NATO, Sweden, Denmark and Switzerland, will commence in 2009 with a duration of three years and in the amount of 500,000 Euro;
- Project aimed at equipment and training provision for the territorial fire-fighting units in cooperation with the "Florian" Foundation from the United Kingdom, with a duration from 1 January 2007 to 31 December 2010, in the amount of EUR 500,000.00;
- Project aimed at training of the rapid response teams by International rescue team from the Republic of France with a duration from 1 November 2008 to 31 December 2009, in the amount of EUR 50,000 is a donation from the Republic of France.

Crisis Management Centre:

- Project with UNDP: Strengthening of the capacity of CMC: the Project started on 1 July 2008, and its implementation has been planned to end by 31 December 2009. The value of the project is USD 300,000.

3.27.2 AIR QUALITY

CURRENT SITUATION

LEGAL FRAMEWORK

The basic law regulating the quality of ambient air in the Republic of Macedonia is the Law on Ambient Air Quality (Official Gazette of the Republic of Macedonia nos.67/04 and 92/07) and the Framework Directive on Air Quality 96/62/EC has been transposed therein. On the basis of this Law, several bylaws have been adopted, to enable its implementation and transpose the relevant daughter directives and further transpose the Framework Directive.

The goals of the Law on Ambient Air Quality include: avoidance, prevention and reduction of harmful effects on human health and environment resulting from air pollution, prevention and reduction of pollution leading to climate change, as well as provision of monitoring and appropriate information on the ambient air quality.

The analysis of Directive 94/63/EC and Directive 2004/43/EC has been initiated to specify the functions deriving from the aforementioned directives, in order to assign the body which will provide their best and the most efficient implementation.

Amendments to the Rulebook on liquid fuels quality have been adopted (Official Gazette of the Republic of Macedonia nos. 88/2007, 91/2007 and 97/2007, 105/07, 157/07, 15/08 and 78/08 I 156/2008.), enabling its full compliance with the fuel quality standards specified in Directives on liquid fuels 99/32/EC, 98/70/EC, 2003/30/EC.

INSTITUTIONAL FRAMEWORK

The protection of the quality of air in the Republic of Macedonia has been institutionalised through the work of several bodies of the state administration and public sector that have direct and/or indirect competences in this domain, specified in the Law on Environment (Official Gazette of the Republic of Macedonia nos. 53/05, 81/05 and 24/07) and the Law on Ambient Air Quality.

The main activities in the segment of provision of ambient air quality monitoring data, as well as inventory of emissions from stationary sources are performed by the Sector - Macedonian Environmental Information Centre (MEIC) in MEPP. In the frames of the Directorate for Environment (DE), Division for monitoring was established within which the Automatic ambient air quality monitoring network of the MEPP operates; individual measurements of air emissions are conducted by the Central Laboratory, constituent division of DE. Data from the monitoring network and measurements conducted are submitted to the MEIC and processed accordingly.

The main role in the protection of air is performed by DE through issuance and control of adjustment permits with adjustment plan which are compulsory for all existing installations subject to integrated environmental permitting regime. Namely, within the DE the Department for Industrial Pollution and Risk Management was established, composed of IPPC Division and Division for Risk and Chemicals Management, as well as Division for Atmosphere. The State Environment Inspectorate carries out regular supervision over the installations that release emissions into the air and issues obligations for undertaking measures when necessary to reduce their emissions to within the permissible limits.

The Unit for Risk and Chemicals Management undertakes activities for the purpose of preventing and reducing the use of substances with negative impact on the ozone layer.

Apart from MEPP, the Ministry of Health is involved in the protection of the quality of the air, through Republic Institute for Health Protection which performs ambient air quality monitoring from human health protection point of view, and the Ministry of Agriculture, Forestry and Water Economy through Hydrometeorological Directorate performs monitoring of the ambient air quality through their own monitoring stations.

The air protection is also part of the competence of the Ministry of Economy with regard to the establishment of standard quality of fuels and emissions from mobile sources of emission (vehicles) and specification of the quality of vehicles used in the Republic of Macedonia and products placed on the market.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

In the course of 2009, bylaws will be adopted on the basis of the Law on Ambient Air Quality by way of which: the List of zones and agglomerations of ambient air quality will be established, limit values will be established for permissible levels of emissions and

types of pollutants in waste gases and vapours released from stationary sources into the air (hereinafter: emission limit values), and in this way the following EU measures will be transposed: 31997D0101, 31999L0030, 32000L0069 and 32002L0003; 32001L0080 and 31962L0062; the manner, the conditions and the procedure for establishment and operation of all networks will be established, as well as methodology of monitoring, the conditions, the manner and the procedure for monitoring information and data delivery and criteria for selection of measuring points for all sources of pollution that affect the quality of the ambient air, thus achieving transposition of the following EU measures: 31996L0062, 31999L0030, 32000L0069, 32002L0003 and 32004L0107; upper limit values, i.e. ceilings of pollutants emission will be specified at annual level for the purpose of determining projections for pollutant emissions reduction at annual level and emission limit values, the upper limits and targets for certain types of pollutants reduction, methods of emission measurement and the deadlines for achieving the limit values for pollutants emission, thus achieving transposition of the following EU measures: 32001L0081 and 31962L0062; the detailed content and the manner of development of the National Plan for Ambient Air Quality, the Programme for Ambient Air Quality Improvement and Action Plans for Ambient Air Quality will be specified, thus providing for transposition of the following EU measures: 32004D0224 and Annex IV of 31962L0062. Directive 91/692/EEC on standardisation and rationalisation of the reports on the implementation of certain environmental directives will be transposed through several bylaws to regulate the content and the manner of delivery of data and information on the status of ambient air quality management (2007.0500.3109), the form, the methodology and the manner of keeping and maintaining the Cadastre of air polluters (2007.0500.3113), the form, the content, the methodology and the manner of keeping the Register of pollutants and their features (2006.0500.1760). In this period, Protocols to LCRTAP will be ratified and the development of the National Plan for Ambient Air Quality will be initiated, by which future measures for ambient air quality improvement and minimisation or full elimination of negative effects on the quality of the ambient air will be defined in accordance with the established zones and agglomerations in the Republic of Macedonia.

As of 1 July 2009, part of the Rulebook on liquid fuels quality concerning the quality of diesel fuels will enter into force by which the content of sulphur in diesel fuels allowed for use in the Republic of Macedonia will be reduced from 50 mg/kg to 10 mg/kg, and the content of sulphur in crude oil will be allowed at the level of 1%. With regard to petrol quality, as of 1 July 2009, only those containing benzene of 1%, aromatics 35%, olefins 18% and sulphur 10 mg/kg will be allowed.

INSTITUTIONAL FRAMEWORK

In 2009, on the basis of the result obtained from the Twinning Project "Air Quality Improvement", activities will be initiated in the Directorate for Environment - Unit for Atmosphere, aimed at establishing the National inventory system which will carry out inventory of the national level of annual emissions for all pollutants, taking into account substances specified in international conventions in the area of air. Namely, the inventory will be conducted in accordance with the nomenclatures and methodologies of CLRTAP, UNFCCC and Convention for the Protection of Ozone Layer, i.e. methodology of EMEP/CoRINAIR, inventory of greenhouse gas emissions (GHG/IPCC under UNFCCC), inventory of ozone depleting substances of national importance. At the same time, the capacity of the MEPP will be improved through employment of new staff and trainings.

Through the establishment of the State ambient air quality monitoring network as part of the State environmental media and areas monitoring network, activities will be initiated in this period for the purpose of assessing the existing networks (monitoring stations) which measure the quality of ambient air and air emissions, and activities will be initiated for the purpose of developing the Work Programme for the State ambient air quality monitoring network. The establishment of the State ambient air quality monitoring network will integrate the existing networks (monitoring stations) for air monitoring managed by the Republic Institute for Health Protection and Hydrometeorological Directorate respectively. Capacity strengthening of bodies that carry out air monitoring will be provided in this period through employment of new staff and organisation of trainings.

Regular maintenance of the air monitoring network is continuous activity of the MEPP. In 2009, one automatic monitoring station will be procured for the purpose of improving the monitoring network of the MEPP in terms of collecting data from rural areas and software for automatic data validation will be provided.

At the same time, regular updating and upgrading of the Cadastre of air pollutants is performed as continuous activity, with particular accent on the improvement of the electronic database through upgrading of the software application and system for data search at individual emission sources, and additional measurements will be made to establish the quality of the ambient air where no monitoring stations exist.

In the frames of regular campaigns carried out by MEPP, activities will be organised to improve the public awareness of the improvement of the ambient air quality.

By the end of 2009, system for liquid fuels quality monitoring will be established on the basis of the annual programme for control over the quality of liquid fuels circulated on the market of the Republic of Macedonia. At the same time, undertaking of measures will be initiated for accreditation of independent laboratory to monitor and test the quality of fuels in accordance with the Law on Products Safety (Official Gazette of the Republic of Macedonia Nos.33/2006 and 63/2007.). The implementation of the programme

will establish the grounds for preparation of monthly and annual reports on the quantities of liquid fuels used in the Republic of Macedonia and their quality. These reports will be submitted to the Ministry of Economy and MEPP, for the purpose of further processing of data.

MIDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

Several bylaws will be adopted in the specified period arising from the Law on Ambient Air Quality and they will achieve further transposition of the relevant EU measures in this area. Namely, the methodology, the manner, the procedures and the methods and means of air emissions from stationary sources will be specified in accordance with the procedures and ISO and CEN standards. Specification of the manner and the measures for ambient air pollution prevention concerning facilities and installations that are not subject to integrated environmental permitting will be executed through transposition of Directive 96/61/EC on IPPC and application of BAT (best available techniques) procedures. Specification of combustible facilities obliged to undertake measures for ambient air quality protection against pollution, through reduction of the emissions of individual pollutants in the air will be done through implementation of the Protocols to the UNECE 1979 Convention on Long-Range Transboundary Air Pollution.

On the basis of the assessment of the quality of air in certain zones and agglomerations, stricter limit values and target values for the quality will be adopted where necessary at the proposal of the Council of the Municipality or the Council of the City of Skopje. This has been specified in the Law on Ambient Air Quality and is in line with Directive 96/62/EC. Specification of limit values for emissions and types of pollutants in waste gases from mobile sources will be made through transposition of the following EU measures: 98/70/EC, 94/63/EC, 96/69/EC, 97/20/EC, 88/77/EC, 97/88/EC, and 2002/88/EC. In order to transpose Directive 2008/50/EC-CAFÉ, amendments to the Law on Ambient Air Quality and other bylaws will be adopted in accordance with Directive 2008/50/EC-CAFÉ by June 2011.

In this period, laws will be adopted for the purpose of ratification of the 1998 Protocol on heavy metals to the UNECE 1979 Convention on Long-Range Transboundary Air Pollution, 1998 Protocol on persistent organic pollutants to UNECE 1979 Convention on Long-Range Transboundary Air Pollution and 1999 Protocol on combating acidification, eutrophication and ground ozone to the UNECE 1979 Convention on Long-Range Transboundary Air Pollution.

INSTITUTIONAL FRAMEWORK

In the coming period, capacity of the MEPP will continue to be strengthened through: new employments and provision of trainings in the performance of the activities of measures undertaking towards air quality improvement and performance of the monitoring. Technical improvement of the capacity of the MEPP will be made concerning the performance of the ambient air quality monitoring and processing of data obtained from the monitoring.

The State ambient air quality monitoring network as part of the State environmental media and areas monitoring network will be established and Work programme for the operation of the State ambient air quality monitoring network will be adopted.

Strengthening of the ambient air quality monitoring network will continue through regular maintenance of existing monitoring stations and extension of the network by establishing new automatic monitoring stations.

National plan for ambient air protection will be adopted.

National inventory system will be established by which inventory at national level of annual emissions of all pollutants will be completed.

At the same time, regular updating and improvement of the Cadastre of pollutants in the air will continue as regular activity, in order to augment data on air emissions.

In this period, accreditation of independent laboratory will be carried out in accordance with the Law on Products Safety and it will be responsible for monitoring and testing of the quality of fuels circulated on the market in the Republic of Macedonia.

Strengthening of the capacity of administration towards improved air quality management will be one of the activities to which particular attention will be paid during this period, too. This activity includes new employments and training of the staff of the MEPP and Ministry of Economy, Unit for Liquid and Solid Fuels within the Sector for Energy.

Strengthening of the capacity in the area of air will also be achieved through implementation of projects financed through IPA Component 1 on "Strengthening the capacity on central and local levels in environmental management". Namely, this project is envisaged to support the development of bylaws, strengthening the HMD with new automatic meteorological stations and strengthening of the capacity of MEPP in the process of dispersed modelling, forecasting and improvement of the possibilities for

ambient air quality assessment. Establishment of QA/QC procedures for the state automatic air quality monitoring network has been envisaged, as well as preparation of the accreditation of calibration laboratory. Implementation of part of the requirements of INSPIRE Directive 2007/2 concerning national environmental information system has been planned, too.

FOREIGN SUPPORT

The following projects are implemented in this area:

- Project for technical assistance - CIM project - has been implemented in the MEPP - under this project, participation of German expert has been provided as technical assistance in the maintenance of monitoring stations, as well as implementation of the requirements of ambient air quality directives in technical terms. The project has been envisaged to last until June 2009, with a possibility for extension for one year. The total value of the project is EUR 109.608.
- Project to support the Western Balkan countries in ratification and preparation of implementation plans for three Protocols to the UNECE 1979 Convention on Long-Range Transboundary Air Pollution, namely 1998 Protocol on heavy metals to the UNECE 1979 Convention on Long-Range Transboundary Air Pollution, 1998 Protocol on persistent organic pollutants to UNECE 1979 Convention on Long-Range Transboundary Air Pollution and 1999 Protocol on combating acidification, eutrophication and ground ozone to the UNECE 1979 Convention on Long-Range Transboundary Air Pollution. The project value is EUR 135.000 and it has been supported by the Dutch Ministry of Environment. Its implementation has been planned for the period from 1 January 2009 to the end of 2010.

3.27.3 WASTE MANAGEMENT

CURRENT STATUS

LEGAL FRAMEWORK

Waste management policy in the Republic of Macedonia has been defined in the Strategy for Waste Management (2008-2020), adopted by the Government of the Republic of Macedonia in March 2008 (Official Gazette of the Republic of Macedonia No.39/2008). In December 2008, the Government approved the National Waste Management Plan incorporating also the National Medical Waste Management Plan and Feasibility Study. At the same time, in the course of 2008, the Draft Strategy for Environmental Investments was prepared, identifying the area of waste management as one of the priorities.

In the context of transposition of the EU *acquis*, the Rulebook on the criteria for waste acceptance at landfills for each class, preparation procedures for waste acceptance, general testing procedures, waste sampling and acceptance, was adopted in 2008 (Official Gazette of the Republic of Macedonia No. 8/2008), transposing the Council Directive 1999/31/EC of 26 April 1999 on landfills and Council Decision 2003/33/EC of 19 December 2002 establishing the criteria and the procedures for the acceptance of waste at landfills pursuant Article 16 and Annex II of Directive 1999/31/EC, and Rulebook on detailed conditions for hazardous waste treatment and manner of hazardous waste packaging and labelling (Official Gazette of the Republic of Macedonia No. 15/2008) transposing Council Directive 91/689/EEC of 12 December 1991 on hazardous waste and Council Directive 94/31/EC of 27 June 1994 amending Directive 91/689/EEC on hazardous waste.

In the course of 2008, the Law on Waste Management (Official Gazette of the Republic of Macedonia Nos. 68/2004, 71/2004, 107/2007, 102/2008 and 143/2008) was amended twice, namely:

- by the Law amending the Law on Waste Management (Official Gazette of the Republic of Macedonia No. 102/2008), new chapter has been introduced – Criminal offences of trade in waste, specifying two crimes: trafficking of waste, for which sentence of imprisonment of 3 to 5 years may be passed and conducting of purchase of products and materials in general use for which sentence of imprisonment of 3 to 10 years may be passed. In case the criminal offences are committed by organised group composed of more than three persons, the minimum sentence of imprisonment is four years, and
- by the Law Amending the Law on Waste Management (Official Gazette of the Republic of Macedonia No.143/2008), harmonisation has been made with the general principles of the Strategy for Waste Management, legal basis for full transposition of the EU Directive on waste combustion have been made more precise and new crime for failure to possess safety cameras where trade in municipal waste and other types of waste is performed has been introduced.

INSTITUTIONAL FRAMEWORK

According to the Law on Waste Management, the Ministry of Environment and Physical Planning, Directorate for Environment and State Environment Inspectorate are the responsible bodies for its implementation on national level. Certain competencies have also been assigned to the Ministry of Health (State Sanitary and Health Inspectorate) concerning medical waste control and Ministry of Economy (State Market Inspectorate), concerning products packaging labelling. Units of the local self-government, inspectors of environment and communal inspectors are competent and responsible for municipal and other types of non-hazardous waste management and public hygiene at local level. The Division for waste and soil within the Administration of Environment is the organisation unit responsible for monitoring and implementation of strategic documents in the area of waste management, issuance of permits and licenses for waste handling, keeping of registers and cadastres, as well as other professional matters in the area of waste management. In 2008, the Division for waste was strengthened with employment of four new civil servants, and the EU Department was strengthened with employment of two new civil servants who work on issues related to transposition of EU *acquis* in the area of waste.

In 2008, the Government of the Republic of Macedonia established a Committee for the purpose of settling the problems related to waste as an inter-ministerial body, and Commission for professional examination for waste managers was established in the MEPP.

In the course of 2008, the Directorate for Environment continued the process of issuing permits, by which legal and natural persons dealing with waste are registered, resulting in almost 90% coverage in the permitting system.

In order to support the process of waste management and respond to the needs of the units of the local self-government, funds were allocated from the Budget of the Republic of Macedonia and public tender for procurement of plastic bins and metal containers in an amount of MKD 90,000,000. International tender was published for designing and construction of plant for thermal processing of special waste, the value being MKD 350,000,000.

Support for the LSGUs in the Republic of Macedonia was provided under the Programme for environmental investments, distributed to 28 projects with a total value of MKD 28,000,000; through these projects, Plans and Programmes for waste management were developed in seven municipalities, technical documentation for waste treatment was prepared for seven municipalities, illegal waste dumping sites were cleaned out in eight municipalities, and rehabilitation of six municipal landfills was completed. 18 projects were implemented in the course of 2008.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

Further harmonisation with the requirements of the EU legislation is required in the coming period through adoption of regulations to transpose the relevant EU acquis in this area.

By way of adoption of new laws and bylaws, the measures aimed at environmental protection that have to be undertaken by producers, owners and entities dealing with end-of-life vehicles, their components and materials, the targets and the deadlines for their achievement and the manner and conditions for storage, the form and the content of the certificate for taking over the vehicle for destruction, the form and the content of the reporting certificate, as well as the manner of records keeping will be regulated and transposition of Directive 2000/53/EC will be achieved. At the same time, the conditions that have to be met by landfills will be regulated and the quantities of biodegradable ingredients of waste allowed for land filling will be specified and thus transposition of Directive 99/31/EC on landfills will be achieved. Limit values will be specified for emissions of certain substances into the area from burning or combustion of the waste, as well as limit values for emissions at discharge of the wastewater from waste gases cleaning and water produced during waste burning or combustion, the minimum technical means and equipment for waste burning or combustion, as well as the procedures for waste reception and delivery, the form and the content of the application for permit for an operator of waste burning or combustion installation will be set and thus Directive 2000/76/EC will be transposed.

The manner of treatment of titanium dioxide waste, as well as the form, the content and the manner of data submission will be regulated, by which Directive 78/176/EEC, Directive 82/883/EEC and Directive 92/112/EEC will be transposed.

Adoption of a Law on Packaging and Packaging Waste has been planned to achieve transposition of Directive 94/62/EC.

In 2009, the development of Programme for management of non-compliant landfills in the Republic of Macedonia will commence, to include specified activities required to undertake the measures necessary to identify temporary locations for waste disposal and identify the existing non-compliant locations of landfills that should be closed.

The Strategy for environmental investments will be adopted during the first quarter of 2009, where one of the priorities will be the establishment of integrated regional management of municipal solid waste, by gradual transition from waste disposing at non-sanitary municipal landfills and illegal waste dumping sites towards waste landfilling at sanitary landfills serving minimum of 200.000 inhabitants each.

INSTITUTIONAL FRAMEWORK

The current staff, from quality and quantity point of view, is still insufficient to achieve the set targets and augmented responsibilities in the area of waste management; therefore, strengthening of EU Department and Unit for waste and soil is necessary through new employments and trainings for the staff.

For the purpose of creating policies for special waste streams, including biodegradable waste and establishing system for integrated waste management, activities will be initiated towards preparation of:

- Action plan and programme for waste electric and electronic equipment management,
- Plan with Feasibility Study for establishment of system for end-of-life vehicles management and related system for registration and destruction;
- Feasibility Study for treatment and reduction of biodegradable waste quantities to be landfilled;
- Feasibility Study for hazardous waste management.

In the course of 2009, Commission to coordinate and support the activities of LSGUs in the establishment of the regional waste management system will be established; it will be composed of representatives of MEPP, Ministry of Transport and Communications, LSGUs and other bodies holding responsibility in this area.

The process of waste management permitting will continue in accordance with the received applications, and activities will be initiated for updating the database of the Cadastre of waste generators and upgrading the software for data application in the cadastre of waste generators, focusing in particular on the quality of submitted data.

In this period, the negotiation procedure concerning submitted applications for permits for harmonisation with adjustment plans will be initiated with regard to existing landfills in the Republic of Macedonia.

In 2009, the Project "Designing and construction of plant for special waste processing" will be implemented, and procurement of plastic bins and metal waste containers needed by the units of the local self-government will be implemented.

Under the Programme for environmental investments, the activities for development of feasibility studies and technical documentation for regional landfills will continue. The support to be provided during 2009 to the units of the local self-government in the Republic of Macedonia amounts MKD 53,000,000, intended for waste management projects implementation.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

In this period, further harmonisation of the national legislation in the segment of special waste streams with the EU relevant legislation will be made through drafting and adoption of the Law on Waste Electric and Electronic Equipment Management, by which transposition of Directive 2002/96/EC and Directive 2002/95/EC will be achieved. In addition to this, conditions will be specified for specific waste types export, import and transit, as well as the methods of supervision over the waste import, export and transit and the form and the content of the form of the permit for waste export, import and transit, thus achieving transposition of Regulation EC No.1013/2006. Analysis will be made in order to define the manner of transposition of Directive 2006/21/EC on mining waste treatment. Namely, transposition of this Directive may be done through amendments to the Law on Mineral Resources or adoption of a separate law.

In addition to the above, the rules for batteries and accumulators treatment will be specified thus transposing Directive 2006/66/EC by way of adoption of a Law on Used Batteries and Accumulators Management.

Guidelines for waste management at local level will be prepared in 2011.

INSTITUTIONAL FRAMEWORK

In line with the guidelines of the Strategy for Waste Management, the Unit for waste and soil as organisational unit of the Directorate for Environment will be transformed into Sector for Waste Management, composed of three separate organisational units, namely: Unit for planning and monitoring, Unit for waste treatment and Unit for special waste streams treatment.

The established Sector for Waste Management and the Sector for EU will be strengthened through employment of new civil servants. At the same time, the capacity of the State Environment Inspectorate will be strengthened in order to enhance the level of enforcement of the legislation, through employment of new civil servants.

The capacity of the State Market Inspectorate as constituent body of the Ministry of Economy will be strengthened in the domain of performance of inspection supervision over the special waste streams management.

The most important activities in this period will focus on the strengthening and reorganisation of the capacity of the units of local self-government in the context of waste management on local level. In line with the Plan for development of institutional capacity for environmental management on central and local levels (2009-2011), separate units with responsibility distinguished from other communal responsibilities will be established in the municipalities in accordance with their size, to perform functions of the municipality in the area of waste management.

With regard to the increase of the level of investment and establishment of system for integrated waste management, development of feasibility and pre-feasibility studies and other technical documentation has been envisaged for regional landfills and regional landfills construction.

The concept of integrated regional municipal solid waste management, based on the adopted planning documents in this area, will be designed through gradual establishment of organisational unit (demonstration centre) for municipal solid waste management for selected region as priority pilot project.

In this period, the activities concerning design and construction of plant for thermal processing of special waste will continue.

The updating and upgrading of the database of the Cadastre of waste generators will be completed and the software for data application in the waste cadastre will be upgraded.

Support to LSGUs will continue in the segments of development of plans and programmes for waste management and their implementation, as well as trainings in waste management at local level.

In this period, public campaign on the implementation of the Law on Packaging Waste Management will be conducted and trainings will be organised in packaging waste management for different stakeholders in the Republic of Macedonia at central and local levels.

Control over and issuance of permits for waste treatment in accordance with the requirements met and status in reality will continue.

In order to secure sustainability of new municipal infrastructure facilities, Regulatory body will be established in this period, in line with the Plan for institutional development of environmental management capacity at central and local levels 2009-2014.

The support to LSGUs in the Republic of Macedonia in the implementation of projects for integrated waste management, primarily in the segment of development of feasibility studies, technical documentation and construction of regional waste management facilities will continue to be provided through the annual Programme for environmental investments of the MEPP within the frames of the Budget of the Republic of Macedonia.

FOREIGN SUPPORT

The implementation of the following projects is underway

- "Strengthening the capacity in waste management in the Republic of Macedonia". The project is implemented through bilateral institutional cooperation by administration working in the area of environment, particularly in waste management, through SIDASEPA. Pilot Municipality in the project is Gostivar, and Borling participates from Swedish side. Two visits have been realised during the project (October and November 2008) by Swedish representatives of the Ministry of Environment and Physical Planning, ZELS and Municipality of Gostivar. The value of the project is EUR 155,000 with implementation period from 1 January 2008 to 31 December 2009.

- With the financial support of the Norwegian Government in an amount of EUR 200,003, the Regional Environmental Centre in cooperation with the MEPP initiated project aimed at developing pre-feasibility study on integrated waste management in south-eastern part and Polog with a period of implementation from 1 January 2008 to 1 June 2009.

Support is needed in the coming period for:

1. Development of feasibility studies and other technical documentation for regional landfills;
2. Construction of regional landfills;
3. Development of Feasibility study on biodegradable waste treatment and reduction of the quantity to be land-filled;
4. Development of Feasibility study on hazardous waste management (collection, temporary storage of segregated waste fractions, transport facilities and hazardous waste processing).
5. Development of Action plan and programme for waste electric and electronic equipment.
6. Plan with feasibility study for establishing a system for end-of-life vehicles treatment and related system for certification-registration and destruction;
7. Solid waste management in south-western part of the Republic of Macedonia.

3.27.4 WATER QUALITY

CURRENT STATUS

LEGAL FRAMEWORK

In 2008, the Law on Waters was adopted (Official Gazette of the Republic of Macedonia no.87/2008); it regulates issues concerning surface waters (watercourses, lakes, accumulations and springs) and underground waters. Framework Water Directive 2000/60/EC, Directive 1976/160/EC, Directive 91/676/EC, Directive 98/83/EC, Directive 98/83/EC, Directive 91/271/EC, Directive 1976/464/EC and Directive 75/440/EC have been transposed in the Law.

Activities have been initiated towards the establishment of National Council for waters as advisory body in water policy creation, as well as activities towards development of Plan for gradual transferring of competencies in water management from MAFWE to MEPP under institutional development programme.

INSTITUTIONAL FRAMEWORK

Within the Directorate for Environment, the Sector for Waters is responsible for water planning and management and it was strengthened in the course of 2008 through new employments.

According to the Law on Waters, the Water Economy Directorate within the Ministry of Agriculture, Forestry and Water Economy is responsible for water management, and it will retain its competence by the end of 2009.

In the frames of the project "Advice in the implementation of the Framework Water Directive of the European Union in the Republic of Macedonia" implemented with the support of German Society for Technical Cooperation – GTZ, activities of drafting bylaws and Plan for institutional development of the Sector for Waters within the Directorate for Environment have been initiated. During this period, four working missions have been accomplished by international expert for the purpose of training provision and knowledge transfer in the segment of implementation of the EU Framework Water Directive to civil servants working in the area of waters in the Republic of Macedonia.

Training in the implementation of the EU Framework Water Directive and Plan for floods prevention was also organised by the Dutch Government through MATRA. The programme was attended by four persons employed in the bodies of the state administration responsible for waters management.

Wastewater treatment plants in Kumanovo and Krivogastani, the construction of which commenced in 2007, were completed and put into operation in 2008.

In order to solve the problems of water pollution in Vardar River resulting from wastewaters from the City of Skopje, development of Feasibility Study on wastewater treatment plant in Skopje has been initiated, with the financial support provided by the Japanese International Cooperation Agency (JICA); it is in advanced stage of elaboration and Strategic Environmental Assessment has been initiated with regard to it.

In the frames of the project for wastewater treatment in Prilep, implemented through the EU CARDS Programme, Feasibility Study, Environmental Impact Assessment and cost-benefit analysis, as well as financial analyses have been completed. In October 2008 (17 October 2008) IPA application concerning the construction of wastewater treatment plant in Prilep was submitted to European Commission.

Through the project for soil, surface and ground waters protection against pollution with chromium in the area of Jegunovce, the wastewater treatment plant in Jegunovce was subjected to treatment of lime.

Annual data on the quality of rivers, lakes and ground waters in the Republic of Macedonia have been reported to the European Environment Agency. Also, data on the quantity and use of waters and on the quality of wastewaters have been reported. Data has been delivered in the required format in accordance with the methodology prescribed by the EEA and within the specified deadline.

Tender for selection of contractor for water polluters cadastre development in the Republic of Macedonia has been published. It concerns updating, supplementing and upgrading of the existing software database of the existing Cadastre of water polluters in the Republic of Macedonia.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

In this period, the National Council for Waters as advisory body in water policy creation, as well as the Councils for river basin management, for each river basin, will be established.

The Plan for gradual transferring of competencies in water management from MAFWE to MEPP under the programme for institutional development will be adopted.

Bylaws will be adopted to regulate the preparation of planning documents (Master Plan, Strategy for Waters, and River basin Management Plan), referring specifically to the establishment of methodology for drafting, reviewing and updating of the master plan, the manner of preparation of river basin management plans, the content and the manner of preparation of the programme of measures, preparation of information and cartographic overviews of activities for waters monitoring, as well as methodology of river basins assessment. These bylaws will achieve transposition of the requirements of the Framework Water Directive 2000/60/EC concerning river basin plan preparation.

INSTITUTIONAL FRAMEWORK

In this period, the Sector for Waters of the Directorate for Environment will be strengthened, especially through increase in the number of employees and provision of trainings in planning documents preparation and implementation of the Framework Water

Directive 2000/60/EC, Directive on wastewater collection and treatment – 1991/271/EC, Directive on drinking water – 1975/440/EC, Directive on water protection from pollution caused by nitrates from agricultural sources – 1991/676/EC and Directive on bathing waters – 1976/160/EC.

At the same time, the Republic Institute for Health Protection will be strengthened with new employments.

For the purpose of establishing the State water monitoring network as part of the State environmental media and areas monitoring, activities will be initiated in this period to assess the existing networks (monitoring stations) which perform monitoring of waters. With the establishment of the State water quality and quantity monitoring network, the existing water monitoring networks (monitoring stations) managed by the Republic Institute for Health Protection, Hydrometeorological Directorate and Hydrobiological Institute in Ohrid will be integrated.

In this period, reconstruction and construction activities will be initiated with regard to wastewater treatment plants and other facilities financed from local, budgetary sources. Other environmental projects will be initiated, too on the basis of use of local budgetary sources for the purpose of developing technical documentation for wastewater treatment systems, financial and economic analyses, environmental impact assessment studies (EIA) and main designs. In this period, activities will be initiated for the purpose of protecting the waters in the River of Vardar against wastewater discharged from the territories of the Municipalities of Saraj, Gjorce Petrov and the City of Skopje, protecting the well area Nerezi-Lepenec and aesthetic development of Vardar riverbed by way of cascades development. In the frames of these activities, it has been envisaged to initiate the construction of wastewater treatment plant in Gjorce Petrov and Saraj Municipality (Grcec, Glumovo, Sisevo, Dolna Matka, Gorna Matka, Krusopek and Laki) and development of the riverbed of Vardar in the central city area of Skopje, through cascades development.

In this period, the Project “Water supply and wastewater treatment in the City of Berovo” will be finalised. It has been financed by the Swiss Government and includes the following activities: rehabilitation of water supply network, construction of new collector from Berovo to the new wastewater treatment plant and implementation of the first phase of the wastewater treatment plant for Berovo and surrounding villages.

In this period, Feasibility Study on wastewater treatment plant construction for the City of Skopje will be developed with the financial support from JICA.

In this period, the Project “Biosphere Reserve Prespa Park” will be finalised; it has been financed by the German Government and it will achieve the goal of capacity strengthening of the Administration of the National Park Galicica.

Also, the Project “Rivers Monitoring in the Republic of Macedonia - II phase” will be finalised; it has been financed by the Swiss Government and included the following activities: reconstruction, upgrading and modernisation of the rivers monitoring system in the Republic of Macedonia for the purpose of permanent monitoring of quality and quantity data on the status of their waters.

In this period, the Project “Advise in the implementation of the Framework Water Directive of the European Union in the Republic of Macedonia” implemented with the support provided by the German Society for Technical Cooperation – GTZ” will be finalised resulting in development of: bylaws concerning stipulation of the content of the planning documents in the area of water management and plan for institutional development of the Water Department of the Administration of Environment. Also, in the frames of the project, training will be organised for 20 civil servants on the manner of the EU Framework Water Directive implementation.

In this period, training will be organised in the preparation of River basin management plan for 40 persons on central and local levels involved in the segment of water management, provided by TAIEX Programme.

Continuous annual reporting of processed data on the quality of waters in the Republic of Macedonia to the European Environment Agency will proceed.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

For this period, it has been planned to develop the National Strategy for Waters, Water Master Plan of the Republic of Macedonia, as well as river basin management plans for the river basins in the Republic of Macedonia.

The Law on Waters has established the legal grounds for adoption of high number of bylaws.

The adopted bylaws will regulate the conditions under which deviations from aquatic environment quality targets will be allowed, specific conditions for direct and indirect discharging of wastewaters, and identification of water bodies with water intended for

human consumption. Protection zones will be established for water intended for human consumption and bathing zones, to be presented cartographically and the form and the content of the register of protection zones of water bodies intended for human consumption, including protection zones of waters intended for bathing, and the manner of their management will be specified. The development of preparation of the elaborate of the borders of protection zones of waters intended for human consumption and protection zones, updating the list of bathing zones, protection zones of water bodies identified as recreational waters, including bathing waters, the manner of bathing zones marking and use, will be regulated. Rulebooks will regulate the criteria, the methodology and the reference methods, the conditions, the manner and the procedure of water monitoring, the manner of public information on the quality of bathing waters, the manner and the procedure of data transmission from the monitoring of the quality of bathing water and water intended for human consumption. At the same time, the criteria on the selection of measuring points for waters monitoring, the conditions, the manner and the procedure of the establishment and operation of the state and local water monitoring networks, will be set. The manner of land cultivation and other activities performance will be regulated in protection zones, as they can have unfavourable impacts on the status of water body. By way of rulebook, the methodology and the manner of determining of the reference measuring methods and parameters and monitoring of the quality and quantity of water bodies declared as sensitive zones in terms of discharged urban wastewater will be regulated. Also, bylaws will be adopted to regulate characteristics and criteria for establishing the good status of the water, chemical composition, ecological potential of water in surface waters, the conditions for determining artificial and strongly modified surface water bodies, as well as the deadline for achieving the good status of surface waters. Criteria and characteristics of good quantitative and chemical status of ground water, as well as the measures required in terms of prevention and restriction in the achievement of good status of ground waters will be set. Classification and categorisation of waters will be regulated, as well as the deadlines for achievement of water quality targets and minimum standards for water quality, limit values for hazardous substances discharging, and the boundaries of the river basins area will be determined. List of polluting substances will be established; the conditions for installation and operation of plants using dangerous substances and the manner of their testing prior to putting into operation, will be established. Part of the bylaws will be adopted in the frames of the Project for institutional capacity strengthening of water sector in the Republic of Macedonia, to be carried out by using the funds from IPA – Component 1. By means of the bylaws to be prepared under this project, requirements of Water Framework Directive 2000/60/EC, Directive on wastewater collection and treatment – 1991/271/EC, Directive on drinking water – 1975/440/EC, Directive on water protection from pollution caused by nitrates from agricultural sources – 1991/676/EC and Directive on bathing waters – 1976/160/EC.

Part of the bylaws to be adopted in this period will regulate the format of the form for the permit for water discharge, documentation required to accompany the application, as well as the format and the content of the form of the permit for water discharge as part of the national legislation, but also compatible with the EU Directives.

Decisions will also be made on the basis of the Law on Waters, by which the list of water bodies intended for recreation or bathing, respectively and prohibition or restriction for performance of activities that make impact on the quality of waters in bathing zones will be established.

INSTITUTIONAL FRAMEWORK

The Law on Waters envisages establishment of water management bodies by river basins as organisational units in the MEPP in order to achieve integrated approach in water use. Namely, as of 1 January 2010, the Sector for Waters of the Directorate for Environment will be organised into specific divisions for each river basin in the Republic of Macedonia. Strengthening of the Sector for Waters and its units will be achieved through new employments and trainings. At the same time, the capacity of the Republic Institute for Health Protection will be strengthened through new employments.

State water monitoring network as part of the State environmental media and areas monitoring will be established.

Activities will be initiated under the Project for institutional capacity strengthening in the water sector in the Republic of Macedonia, to be implemented through utilisation of the funds under IPA Component 1. Under this project, preparation of bylaws has been envisaged, by which the requirement of the EU Framework Water Directive 2000/60/EC and relevant daughter directives will be transposed in full and trainings aimed at enhancing the capacity of the administration in the implementation of the Law on Waters will be organised.

For the purpose of developing wastewater treatment systems, Feasibility Studies on wastewater treatment will be developed and construction of wastewater collectors and treatment plants in the country will continue, in parallel with projects for water protection, preservation and quality improvement.

The water bodies monitoring network in the Republic of Macedonia will be maintained and upgraded regularly. During this period, the software application of the cadastre of water polluters will be supplemented, updated and upgraded.

In addition, activities necessary for the development of the Plan for river basin management, as well as pilot plan for river basin management related to tributary of Vardar River basin will be initiated. Upgrading of existing and establishment of new piezometers will be made to enable proper operation of the ground waters monitoring network.

In this period, reconstruction and construction activities with regard to wastewater treatment plants and other facilities financed from local, budgetary sources will continue. Other environmental projects will be implemented, too on the basis of use of local budgetary sources and the following results will be achieved: technical documentation for wastewater treatment systems, financial and economic analyses, environmental impact assessment studies (EIA) and main designs. In this period, protection of the waters in the River of Vardar will be secured against wastewater discharged from the territories of the Municipalities of Saraj, Gjorce Petrov (Grceq, Glumovo, Sisevo, Dolna Matka, Gorna Matka, Krusopek and Laki). Protection of the well area Nerezi-Lepenec will be completed and aesthetic development of Vardar riverbed by way of cascades development in the central city area of Skopje.

Continuous annual reporting of processed data on the quality of waters in the Republic of Macedonia to the European Environment Agency will proceed.

In this period, additional resources will need to be identified to initiate the activities under the project "Construction of wastewater treatment plant in Gevgelija". The total value of the project is EUR 7,500,000, out of which an amount of EUR 2,000,000 has been provided by the Greek Government and efforts are made to close the budget of the project. The project will be implemented in the period from 2010 to 2012.

The Project "Construction of HS Zletovica" as a donation from the Japanese Government will be finalised in this period, comprising the implementation of the following activities: Construction of HS Zletovica – (A+B) phase Knezevo dam; construction of access road and water intake at Kuceska River and irrigation.

In this period, the Project "Integrated ecosystem management in Prespa Lake basin in Albania, Macedonia and Greece", supported by GEF and UNDP will be finalised and integrated management of transboundary water sources will be achieved in order to achieve environmentally, economically and socially sustainable development.

In this period, the Project "Environmental rehabilitation and energy rationalisation of geothermal system Geoterma in Kocani", donation from Austrian Government, will be finalised by which environmental rehabilitation and energy rationalisation of geothermal system Geoterma in Kocani will be achieved. The support includes expert advice and technical assistance leading to improved protection of this natural resource in Kocani.

The Project "Municipal waters (loss of water and consolidation of wastewater sector)", donation from Austrian Government will be finalised as well, and thus regulation of water losses will be regulated through consolidation of wastewater sector.

In this period, activities under the Project "Construction of wastewater treatment plant and reconstruction and upgrading of the sewerage network in Prilep" financed by the EU IPA Component 3, will be initiated. The project envisages construction of wastewater treatment plant and reconstruction and upgrading of the sewerage network in Prilep. The funds are provided through IPA Component 3, IPA Component 1 – PPF and local co-financing.

FOREIGN SUPPORT

- The Project "Water supply and wastewater treatment in the City of Berovo" implemented in the period from 1 January 2006 to 31 December 2009. The Project is financed by the Swiss Government, in the amount of EUR 6,790,000.
- The Project "Construction of HS Zletovica" implemented from 1 November 2003 to 1 January 2010. The Project is financed by the Japanese Government, in the amount of EUR 73,148,429.
- The Project "Integrated ecosystem management in Prespa Lake basin in Albania, Macedonia and Greece", implemented from 1 January 2006 to 31 December 2010. The Project is a donation of UNDP (UN Development Programme), in the amount of EUR 2,070,000 and local contribution of EUR 210,000.
- The Project "Biosphere Reserve Prespa Park" implemented in the period from 1 January 2007 to 31 December 2009. The Project is financed by the German Government, in the amount of EUR 1,530,000
- The Project "Rivers Monitoring in the Republic of Macedonia - II phase" implemented in the period from 1 January 2006 to 31 December 2009. The Project is a donation from Switzerland, in the amount of EUR 1,210,000.
- The Project "Environmental rehabilitation and energy rationalisation of geothermal system Geoterma in Kocani" implemented in the period from 1 October 2006 to 30 June 2010. The Project is a donation of Austria, the value is EUR 1,440,000 with EUR 25,000 local contribution.
- The Project "Municipal waters (loss of water and consolidation of wastewater sector) implemented in the period from 1 January 2009 to 1 January 2012. The Project is a donation from Austria and its value is EUR 1,500,000.

- The Project for development of Feasibility Study on the construction of wastewater treatment plant in Skopje is implemented from 1 September 2007 to 30 June 2009. The Project is a donation of JICA and its value is EUR 1,528,455.
- The Project "Advise in the implementation of the Framework Water Directive of the European Union in the Republic of Macedonia" implemented with the support provided by the German Society for Technical Cooperation – GTZ", with a duration of 24 months, i.e. from 1 January 2008 to 31 December 2009 and value of EUR 200,000
- The Project "Construction of wastewater treatment plant and reconstruction and upgrading of the sewerage network in Prilep" to be implemented in the period from 1 November 2010 to 1 November 2012 under the IPA Programme, its value being EUR 19,527,107
- The Project "Development of main design and tender documentation for construction of wastewater treatment plant in Prilep" to be implemented in the period from 1 July 2009 to 1 July 2010, under IPA Programme, its value being EUR 850,000.
- The Project "Construction of wastewater treatment plant in Gevgelija" will be implemented in the period from 2010 to 2012. The total value of the project is EUR 7,500,000, out of which an amount of EUR 2,000,000 has been provided by the Greek Government and efforts are made to close the budget of the project.

3.27.5 NATURE PROTECTION

CURRENT SITUATION

LEGAL FRAMEWORK

The basic law in the area of nature protection is the Law on Nature Protection (Official Gazette of the Republic of Macedonia Nos. 67/04, 14/06 and 84/07) in which Council Directive 79/409/EC of 2 April 1979 on the conservation of wild birds, Council Directive 92/43/EC of 21 May 1992 on the conservation of wild flora, fauna and natural habitats and Council Regulation 338/97/EC of 9 December 1996 on the conservation of wild fauna and flora through regulation of the trade therein (implementation of CITES) have been transposed.

The Law on Nature Protection regulates the protection of nature through protection of biological and landscape diversity and protection of natural heritage within and outside protected areas.

In 2008, the Assembly of the Republic of Macedonia adopted the Law on Proclaiming Locality Kuklica as Monument of Nature (Official Gazette of the Republic of Macedonia No.103/08) as new protected area by which the network of protected area is extended and adopted the Draft Spatial Plan for Ohrid-Prespa region, which also regulates the protection of nature and biodiversity in this region.

The Government of the Republic of Macedonia approved the Decision on the acceptability of the proposal for re-proclamation of the Site Ploce Litotelmi for protected area in the category of strictly protected natural reserve.

Order prohibiting the collection of autochthonous growing wild morel for use and trade was issued.

The Government of the Republic of Macedonia adopted the National Environmental Indicators, including three indicators of nature and biological diversity protection, namely: Indicators of protected areas, species diversity and threatened and protected species.

INSTITUTIONAL FRAMEWORK

The activities concerning policy creation and implementation in the domains of nature protection, protection of biological and landscape diversity and natural heritage protection, biological and landscape diversity and natural heritage management are performed by the Sector for Nature established within the Directorate for Environment as constituent body of the Ministry of Environment and Physical Planning. The Sector for Nature is composed of three units – Unit for natural heritage protection, Unit for planning the area in protected areas and geodiversity protection and Unit for biodiversity. Inspection supervision in nature is performed by the State Environment Inspectorate through state inspectors of nature protection performing supervision over the implementation of the measures for nature protection.

In this period, revalorisation of the strictly protected natural reserve Ezerani at the Lake of Prespa was carried out and valorisation of the Sites of Alshar and Monospitovsko Blato was completed. For the purpose of fulfilling the obligations of the Law on Nature Protection concerning revalorisation of natural heritage and new categorisation, the following documents have been developed: Study on natural values of the strictly protected natural reserve Ezerani, Study on biological diversity of NP Galicica and Study on geomorphology of NP Galicica. For the purpose of new areas proclamation, the following studies have been developed: Study on valorisation of natural values of the site of Alshar and publication of natural values of Monospitovsko Blato.

For the purpose of preparation of Management Plan for the Markovi Kuli Monument of Nature, Study on biological diversity and Study on physical and geographical characteristics have been developed.

In addition to the above, in order to stimulate the procedure for enrolment of the Markovi Kuli Monument of Nature in the List of the World Heritage (UNESCO), Comparative analysis of the universal importance of Markovi Kuli has been made. Monitoring of Prespa trout was carried out within the National Park Pelister. Action plan was developed to protect this globally endangered species.

Monitoring of Balkan lynx has been established on the area of NP Mavrovo, by which the number of units of this species and the areal of movement of a unit have been determined.

Information centre was opened in the National Park of Pelister. Instruction and education paths within the NP Pelister, NP Mavrovo and NP Galicica have been put into operation.

Through the Project on Emerald network development in the Republic of Macedonia, the remained 20% of the areas of special conservation importance was identified, and thus 11 new areas were included in the network, by which it reached an area of 29% of the entire territory of the Republic of Macedonia. This will include most of the potential areas that may become part of the future environmental network Natura 2000.

In order to strengthen the capacity of the Sector for Nature and entities that manage protected areas, several trainings have been organised and documents developed in the frames of several projects, as well as through independent activity of the Department. Namely, in the frames of the project on development and strengthening of central and local administrations in the Balkan Region in the segment of protected areas, four trainings were held resulting in model for development of a Management Plan for protected area and model for development of project proposal for big predators protection in the interest for conservation in EU in the Republic of Macedonia. Within the Project Communication for nature protection, capacity building and pilot projects, basic training was held and Manual "Through communication to nature conservation" was produced.

In the frames of the Project "Strengthening of environmental, institutional and financial sustainability of the system of protected areas in the Republic of Macedonia", national seminar on protected areas management was held, and the results of strengthened capacity in the process of Protected Areas Management Plans Development were achieved.

In the frames of the Project on forest policy and economics, several regional and national trainings were held to strengthen the capacity in the areas of forest policy and economics.

Through the Project for education of official persons and preparation of educational material for the purpose of recognition of fungi and higher plants included in the customs schedule of rates (Decision on distribution of goods on import-export forms) of the Republic of Macedonia, six training courses were organised for custom officers through which institutional capacity in this area was strengthened, including development of Guide and two posters showing wild species involved in commercial trade.

The capacity of Sector for Nature was strengthened by four new employments, two of which based on full-time contract and two on part-time contract.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

In the course of 2009, amendments to the Law on Nature Protection will be enacted to enable further transposition of the following EU measures: 31979L0409, 31992L0043, 31997R0338, 31999L0022.

In accordance with the obligations deriving from the Law on Nature Protection, the following laws will be adopted: Law on the Proclaiming the Ploce Litotelmi Site as Strictly Protected Natural Reserve, Law on Proclaiming the Lokvi Site as Strictly Protected Natural Reserve, Law on Proclaiming part of Galicica Mountain for National Park, Law on Proclaiming Alshar Site as Monument of Nature, Law on Proclaiming Monospitovsko Blato Site as Monument of Nature, Law on Proclaiming Ostrovo Site as Monument of Nature, Law on Proclaiming the Springs of Vevcani Site as Monument of Nature, Law on Proclaiming Dojran Lake as Monument of Nature and Law on Proclaiming Prespa Lake as Monument of Nature.

Bylaws arising from the Law on Nature Protection will be adopted by means of which: the form and the content of the application, the manner and the procedure of issuance of permit for collection of affected and protected wild species of plants, fungi, animals and their parts will be regulated and the following EU measures will be transposed: 31979L0409, 31992L0043; the form and the content of the application for issuance of permit for scientific research in nature on the territory of protected area, the procedure of its issuance, as well as the form and the content of the form of the permit (EU measures: 31979L0409; 31992L0043); the form and the content of the application for issuance of permit and certificate for trade in affected and protected wild species of plants, fungi, animals and their parts, the type, the form and the content of the form of the permit and the certificate, as well as documentation required to accompany the application (EU measures: 31997R0338; 32001R1808); the manner and the procedure of permit

issuance, as well as the type of permit and certificate for trade in affected and protected wild species of plants, fungi, animals and their parts used in trade, as well as determination of border-crossings through which trade is allowed (EU measure: 31997R0338); the manner of conduct in trade in affected and protected wild species of plants, fungi, animals and their parts by customs bodies, other competent bodies and offices at border-crossings, scientific and professional institutions, as well as authorised depositories of confiscated specimens in illicit trade (EU measure: 31997R0338) will be regulated and strictly protected and protected wild species will be specified (EU measures: 31979L0409; 31992L0043).

Bylaws arising from the Law on Nature Protection will be adopted in this period to regulate: data entered in the cadastre of protected areas, the manner of keeping and the format of the form of the cadastre of protected areas, as well as the manner and possibilities for use of data entered; data entered in the register of natural heritage, as well as the manner of keeping and the format of the form of the register of natural heritage, as well as the manner and possibilities for use of data entered; data entered in the records of trade and other activities concerning protected species, the manner of keeping and the format of the form of the records of trade and other activities concerning protected species, as well as the manner and possibilities for use of data entered; the species and the level of costs related to the issuance of permits and certificates for involvement in international trade in affected and protected wild species of plants, fungi, animals and their parts which are not directly linked with EU measures.

INSTITUTIONAL FRAMEWORK

In 2009, trainings will be organised in order to strengthen capacity in: keeping the cadastre of protected areas and register of natural heritage, development and implementation of Management Plans for protected areas, development of institutional capacities required for efficient establishment, planning and management of the network of protected areas and individual protected areas in the frames of the network, implementation of CITES and the Regulation, public awareness increase with regard to the importance of environmental networks (Emerald). The capacity of the Sector for Nature will be strengthened through new employments as well.

National Council for nature protection will be established for the purpose of monitoring, implementation and promotion of nature protection and natural heritage use as an obligation based on the Law on Nature Protection.

The capacities of the Public Institutions National Parks of Pelister, Mavrovo and Galicica, respectively, will be strengthened and two representatives in the Management Boards of each of them will be nominated by the Ministry of Environment and Physical Planning, which is an obligation based on the Law on Nature Protection.

Revalorisation will be carried out over the Strictly Protected Natural Reserve Tikves, Matka Canyon Monument of Nature, Beleshnicka Reka Monument of Nature, part of the Vodno Mountain and valorisation of Jablanica Mountain. Studies will be developed with regard to the Strictly Protected Natural Reserve Tikves, natural values of Jablanica Mountain, Matka Canyon Monument of Nature, geodiversity of the Kuklica Monument of Nature and natural values in part of Vodno Mountain.

In the course of 2009, management Plans will be developed for: NP Galicica, Markovi Kuli Monument of Nature, Matka Canyon Monument of Nature, Strictly Protected Natural Reserve Tikves, and elaboration of the Management Plan for the Kuklica Monument of Nature will be initiated.

Publications on the most important values of the natural heritage of the Republic of Macedonia and publication on the pearls of Permian fauna in Macedonia will be disseminated. Also, brochure on Emerald areas in the Republic of Macedonia will be produced.

In order to assess the status of the natural heritage, analysis of items recorded as natural heritage in the Spatial Plan of the Republic of Macedonia will be made and cartographic data will be taken to determine the boundaries for protection. Spatial identification of the boundary and the zoning in NP Galicica, Jablanica, Vodno, Belshnicka Reka and Monospitovsko Blato will be carried out.

Development of national programme and methodology for nature monitoring will be initiated. Development of national indicators of nature and biodiversity will commence.

Development of National Strategy for Nature protection with Action Plan will be initiated for the purpose of protecting and conserving the nature in the Republic of Macedonia in its original state and enable its sustainable use, applying the principles and mechanisms of sustainable development.

Action plan for biological diversity protection will be developed in order to implement the measures and the activities specified in the Strategy for Biological Diversity Protection.

Elaboration of the list of endangered species (Red list) will be initiated in order to identify the category of endangered species and Red list containing description, distribution, measures to improve the status of affected species and other characteristics of species, which is an obligation based on the Law on Nature Protection.

MEPP in cooperation with the Swedish International Development Agency (SIDA) will proceed with the implementation of the project aimed at strengthening the capacity of the Department for Nature with regard to the requirements deriving from the implementation of EU *acquis* on nature.

In the frames of the project "Strengthening environmental, institutional and financial sustainability of the system of protected areas in Macedonia" (GEF/UNDP/MEP), trainings will be organised in order to strengthen the capacity of institutions that manage protected areas and thus strengthening national systems by means of comprehensive knowledge of the matter and application of appropriate technologies; support and development of more representative network of protected areas; strengthening of tools supporting the decision making process necessary to secure the legal status of protected areas in the frames of the network and their extension and local testing of the tools for decision making in the process of reproclamation of two pilot protected areas. The project will focus on two protected areas, Monument of Nature Matka Canyon and Strictly Protected Natural Reserve Tikves. Apart from this, data on biological diversity will be collected on national level.

In the frames of the Project "Support to the National park Galicica", draft programme for monitoring will be prepared, adjustment of the forest plan will be made, multi-annual plan and programme for solid waste management and educational programme will be developed.

In the frames of the Project "Development of National Environmental Network", the basic document of environmental networks will be elaborated, initial workshop will be held, study on the brown bear will be carried out and public campaign will be prepared.

For the purpose of promoting the management of the system of protected areas in the Republic of Macedonia, managing entities will be assigned to manage proclaimed protected areas and their capacity will be strengthened through trainings and education.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

In accordance with the obligations deriving from the Law on Nature Protection, the following laws will be adopted: Law on Proclaiming Ezerani at Prespa Lake as Strictly Protected Natural Reserve, Law on Proclaiming Tikves as Strictly Protected Natural Reserve, Law on Proclaiming part of Galicica Mountain as National Park, Law on Proclaiming part of Sar Mountain as National Park, Law on Proclaiming Mavrovo as National Park, Law on Proclaiming Ohrid Lake as Monument of Nature, Law on Proclaiming Matka Canyon for Monument of Nature, Law on Proclaiming Koleshino Waterfalls as Monument of Nature, Law on Proclaiming Katlanovsko Blato as Monument of Nature, Law on Proclaiming Belcisko Blato as Monument of Nature, Law on Proclaiming Belesnicka Reka as Monument of Nature, Law on Proclaiming Vodno for Protected Area, Law on Proclaiming Mariovo as Protected Area, Law on Proclaiming Osogovo Mountains as Protected Area, Law on Proclaiming part of Maleshevo Mountains as Protected Area.

In the specified period, bylaws to transpose the relevant EU measures in this area will be adopted. List of internationally affected and protected species of wild plants, fungi, animals and their parts the trade of which is regulated by means of certificate (EU measure: 32001R1808); List of wild species of plants, fungi, animals and their parts proclaimed as affected and/or protected at the level of the European Union or in other European countries the trade of which is regulated by means of permit (EU measures: 31979L0409; 31992L0043; 31997R0338); the manner and the procedure under which limited and selective taking, keeping and otherwise using certain strictly protected wild species in small populations, in circumstances of strict supervision, will be regulated (EU measures: 31979L0409; 31992L0043); the measures and the activities of protection, the manner and the scale of use of protected wild species will be specified (EU measures: 31979L0409; 31992L0043); the environmental network including environmentally important areas, the system of environmental corridors and environmental areas of international importance, as well as the manner of their management on the territory of the Republic of Macedonia will be regulated (EU measures: 31979L0409; 31992L0043; 31997D0266); protection measures and manners of building and maintaining of passages will be specified (EU measures: 31979L0409; 31992L0043); methodology of monitoring of the state of nature will be established (EU measures: 31979L0409; 31992L0043).

INSTITUTIONAL FRAMEWORK

Capacity of the Sector for Nature will be strengthened through new employments as well. In order to improve the management of the system of protected areas in the Republic of Macedonia, management entities will be assigned to manage proclaimed protected areas and their capacities will be strengthened through trainings and education.

At the same time, activities will commence towards establishment of electronic databases, cadastre of protected areas, register of natural heritage, records of trade in protected species, as well as establishment of continuous monitoring and specification of the manner of data collection/delivery.

In the specified period, trainings will be organised on the following issues: establishment of methodology for nature monitoring performance, keeping the database of natural heritage, development of institutional capacity for efficient establishment, planning and improvement of the network of protected areas and individual areas within the network, public awareness increase with regard to the importance of environmental networks (Natura 2000), implementation of EU measures on nature protection, collection and processing of data on protected areas in GIS format and biodiversity data management.

In order to augment the percentage of protected areas at national level, the Department of Nature will carry out revalorisation of the items of nature Mavrovo, Ohrid Lake, Koleshino waterfalls, Katlanovsko Blato, Belesnicka Reka, and valorisation of part of the Sar Mountain, Belcisko Blato, Mariovo, part of Osogovo Mountains, part of Malesevo Mountains and studies on their natural values will be carried out.

Management Plans will be developed for the National Park Mavrovo, Monument of Nature Ohrid Lake, Monument of Nature Smolare Waterfalls, Monument of Nature Prespa Lake, Monument of Nature Dojran Lake, Monument of Nature Vevcani Springs, and Monument of Nature Alsar. Spatial identification of boundary and zoning of protected areas will be conducted. Important forest areas in the Republic of Macedonia will be identified and mapped, by way of which the list of important forest areas will be established. Refugial regions of forest vegetation will be identified thus establishing conditions for protection of significant elements of biological diversity.

In order to assess the status of the natural heritage, analysis of items of nature recorded in the Spatial Plan of the Republic of Macedonia will be made and cartographic data will be taken to determine the boundaries for protection.

National programme and methodology for nature monitoring will be adopted. National indicators of nature and biodiversity will be adopted.

Also, National list of endangered wild species will be adopted and it will specify their category of threat and Red list of the Republic of Macedonia will be established.

Establishment and maintenance of Cadastre and map of protected areas has been envisaged to record the established protected areas, as well as new areas which will be identified. Materials, publications and summary report on the cadastre and maps will be produced.

Publications and other promotional material on natural heritage will be published.

National Strategy for Nature Protection with Action Plan will be adopted in accordance with the Law on Nature Protection.

In the frames of the Project "Development of national environmental network", identification and mapping of environmental corridors and areas for revitalization to link the existing key areas and protection zones of national importance will be carried out to enable environmental interlinkage and promotion of environmental network of Pan-European Environmental Network will be conducted through development of Management Plan for environmental corridors for big beasts.

In the frames of IPA Component 1 Project "Strengthening of national administrative capacity in the protection and monitoring of biodiversity and natural heritage", administrative capacity will be strengthened in relation to the implementation of obligations deriving from the Birds Directive and habitat Directive, manners of biodiversity data collection and establishment of information biodiversity data management system will be specified. Part of the bylaws will be adopted under this project.

In the frames of the Project "Strengthening environmental, institutional and financial sustainability of the system of protected areas in Macedonia" (GEF/UNDP/MEPP), national biodiversity information system will be established.

In the frames of the Project "Support for the National Park Galicica", the management of the NP Galicica will improve and thus contribute to the protection of biological diversity in Prespa region.

In the frames of the Project "Environmental protection, economic development and promotion of sustainable eco-tourism in the National Park Mavrovo", living conditions of the inhabitants of the NP Mavrovo will be improved through Strategy for participatory management of natural resources and environment aimed at sustainable management of natural and ambient values in the area and promotion of initiatives for local development.

FOREIGN SUPPORT

Current projects implemented through foreign support include:

1. "Strengthening environmental, institutional and financial sustainability of the system of protected areas in Macedonia" (GEF/UNDP/MEPP). The Project will last by 2010 and its value is USD 1,000,000 provided by GEF.
2. "Environmental protection, economic development and promotion of sustainable eco-tourism in the National Park Mavrovo", financed by the Ministry of Foreign Affairs of the Republic of Italy, implemented through cooperation of the National Park Mavrovo, Municipality Mavrovo-Rostuse and Ministry of Environment and Physical Planning. The Project is implemented in the period 2009-2011 and its value is EUR 3,000,000.
3. "Support for the National Park Galicica", financed by KfW, implemented through cooperation of NP Galicica, Municipality of Ohrid, Municipality of Resen and Ministry of Environment and Physical Planning. The Project will be implemented in the period 2008-2010 and its value is EUR 1,533,000
4. Development of National Environmental Network (MAK-NEN) commenced in July 2008 with the financial support by BBI Matra Fund from The Netherlands. The Project is coordinated by the European Centre for Nature Conservation (ECNC) and implemented by the Macedonian Ecological Society with support and in cooperation with the Ministry of Environment and Physical Planning. The Project will last three years and its value is EUR 100,000.

3.27.6 INDUSTRIAL POLLUTION CONTROL AND RISK MANAGEMENT

CURRENT SITUATION

LEGAL FRAMEWORK

Based on the time frame for applications submission for the purpose of obtaining adjustment permit with adjustment plan, in the course of 2008 MEPP received 28 applications for A adjustment permits with adjustment plans and five applications for B adjustment permits with adjustment plans, and thus the total number of submitted applications reached 93. By this, more than 75 % of the installations have submitted applications for issuance of adjustment permits with adjustment plans. Two A adjustment permits with adjustment plans were issued, to Feni Industry Kavadarci and SILMAK-Jegunovce, respectively. Issuance of B adjustment permit with adjustment plan to "MAKALJB" Company from Skopje is in progress. Negotiation procedure aimed at reaching an agreement with regard to the content of the adjustment plan and the deadline for its implementation has been initiated with FZC "11 Oktomvri" – Kumanovo for issuance of adjustment permit with adjustment plan. 27 applications for adjustment permits with adjustment plans are in the process of consideration. The adjustment permits with adjustment plans determine the dynamics of achievement of the standards required to obtain integrated environmental permit.

In the segment of Prevention of industrial accidents involving dangerous substances, Draft Action Plan for the implementation of the basic obligations of the Convention on Transboundary Effects of Industrial Accidents has been developed, including time frame for its implementation. The implementation of the Draft Action Plan will be coordinated by the Ministry of Environment and Physical Planning in cooperation with all relevant institutions, and controlled by the inter-ministerial working group.

In the segment of industrial hot-spots remediation, the Project "Sustainable remediation and management of pollution from the mines Bucim and Lojane", financed by the Dutch Government, and implemented through UNDP, is underway. The Project is part of the Regional Project "Strengthening the capacity of Western Balkan countries in the process of integrated approach to environmental hot-spots".

With the support from the Czech Development Agency, the project aimed at settling the problem of old industrial pollution in OHIS – Skopje is implemented. Analyses of soil, ground waters and surface waters and soil gas have been completed. Risk assessment has been made and four feasibility Studies with proposed solutions have been produced. Continuous operation of the wastewater treatment plant in SILMAK-Jegunovce has been provided in order to reduce the pollution of soil, groundwater and surface water with six-valent chromium in the surrounding area of Jegunovce.

In order to promote environmental labelling, public campaign has been carried out with reference to the award of environmental label for tourist accommodation and detergents for manual dish washing, supported by the British Embassy in Skopje. Criteria for tourist accommodation and detergents for manual dish washing were set in December 2008, and January 2009, respectively. At the same time, studies aimed at setting criteria for environmental label awarding was carried out for dyes and lacquers, textile and furniture. New Commission for eco-label awarding was established. In the segment of EMAS, meetings of the EMAS Committee were attended in order to acquire knowledge of the functioning and activities of EMAS Committee and implement them in the Republic of Macedonia.

INSTITUTIONAL FRAMEWORK

In the MEPP/Administration of Environment, the Sector for Industrial Pollution and Risk Management, Division for industrial pollution prevention and control (IPPC) manages the procedure for issuance of A adjustment permits with adjustment plan and A integrated environmental permit, as well as for B adjustment permits and B integrated environmental permits for installations

located within protected areas. In this period, the Division has been strengthened with five new civil servants, and participation in several seminars and trainings concerning industrial pollution control and risk management.

The Unit for chemicals and industrial accidents is responsible for issuance of import/export permits for certain chemical groups and undertaking activities for industrial accidents prevention and control. This Unit is responsible for the process of ratification and implementation of the Convention on Transboundary Effects of Industrial Accidents and also manages the activities related to the implementation of Directive 96/82/EC. The Sector for chemicals and industrial accidents was strengthened by employment of one civil servant in 2008.

In the frames of the Sector, there is also a Unit for risk management and atmosphere which is responsible for the management of identified hot-spots in the Republic of Macedonia, as well as undertaking measures for implementation of the obligations deriving from the Climate Change Convention, Kyoto Protocol and Directive 2001/80/EC on large combustion plants Directive 1999/13/EC on solvents. This Unit is also responsible for keeping records on releasing gases in the atmosphere monitored in accordance with the Convention on Climate Change.

The responsibility for promotion and implementation of eco-labelling and EMAS belongs to the Unit for standards within the Sector for EU, which was strengthened by one employment in the course of 2008.

In the frames of the Project "Development of remediation plans with financial requirements for elimination of industrial hot-spots", financed by EU-CARDS 2006, remediation plans with financial requirements for elimination of industrial hot-spots were developed for four top priority industrial hot-spots in the Republic of Macedonia, namely: AD Ohis (organic chemical industry) – Skopje, MHK Zletovo (Lead and zinc smelter) – Veles, SILMAK (former Jugohrom) – Jegunovce and Makstil (steel and iron factory) – Skopje. In the frames of the Project "Sustainable remediation and management of pollution from the mines Bucim and Lojane", project aimed at solving the pollution from the mine of Bucim was elaborated, offering five detailed possible methodologies with financial implications and environmental sustainability of its implementation.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

Based on the Law on Environment, concerning the implementation of the procedure for issuance of A integrated environmental permit, it has been planned to finalise the legal framework in this period, through adoption of bylaws in the area of IPPC. In this period, amendments will be made to the Law on Environment, in its Chapter on integrated environmental permits, in order to overcome certain procedure related issues concerning the issuance of the permits, as well as to expand the legal ground for adoption of several bylaws. Decree on the level of the compensation to be paid by the operators of installations performing activities which require A integrated environmental permit will be adopted. The substances, as well as their emissions from installations which are taken into account in specifying the limit values in the A integrated environmental permit will be specified, and thus transposition of Annex III of the IPPC Directive (Directive 96/61/EC) will be achieved. Keeping of the register of A integrated environmental permits and adjustment permits with adjustment plans will commence.

In this period, consideration of received applications for adjustment permit with adjustment plan and elaboration of draft permits in response to the will continue. At the same time, permits will be elaborated and all procedures will be carried out in accordance with the permitting procedure for adjustment permits with adjustment plans. Negotiations with the installations will be initiated in order to define the conditions in the permits.

In this period, Rulebook on the content and internal and external emergency plans and Rulebook on dangerous substances, limit values (thresholds) for the presence of dangerous substances and criteria or properties by which the substance is classified as dangerous will be adopted by which Annex IV and I of SEVESO II Directive (Directive 96/82/EC) will be transposed.

In order to provide strategically integrated approach to industrial accidents management, National plan for industrial accidents prevention and control will be adopted. The starting point in the development of this document would be the Draft Action Plan for the implementation of the basic obligations of the Convention on Transboundary Effects of Industrial Accidents. At the same time, Law on the Ratification of the Convention on the Transboundary Effects of Industrial Accidents will be enacted.

In the area of eco-labelling, criteria for eco-label awarding will be adopted for dyes and lacquers, textile and furniture and studies will be carried out for three additional environmental criteria.

INSTITUTIONAL FRAMEWORK

The number of employees and the level of their experience in the Sector for Industrial Pollution and Risk Management are still insufficient to ensure proper quality and timely implementation of the procedure for issuance of integrated environmental permits and industrial accidents management and therefore it is necessary to strengthen the Unit for integrated pollution prevention and

control, Unit for chemicals and industrial accidents, and Unit for atmosphere and risk management, through new employments and trainings.

In this period, training has been envisaged in the segments of preparation and writing integrated environmental permits or adjustment permits with adjustment plans on central level for A integrated environmental permits and on local level for B integrated environmental permits.

Scientific Technical Commission for the Best Available Techniques will be established, to determine the best available techniques for A integrated environmental permits, and distinguished experts in the areas of technology, economy and environment will be assigned. The Commission will work on the basis of the predefined Work Programme. In this period, national reference documents (Guides) will be adopted on the best available techniques, which will represent guidelines for the application of the best available techniques in A integrated environmental permits for each industrial sector separately.

In the segment of industrial accidents, trainings will be carried out with regard to implementation of the basic obligations of the Convention on Transboundary Effects of Industrial Accidents.

The Division for standards within the EU Department will be strengthened with new employments and trainings in the domain of adoption of the relevant environmental standards.

In order to promote the eco-labelling, the Ministry of Environment and Physical Planning together with the Ministry of Economy will consider the possibilities for advantages and incentives for the producers towards introduction of eco-labelling of products and services, as well as undertake activities towards public awareness increase of the promotion of the so called green consumption (public campaigns, partial coverage of costs for introduction of eco-labelling, etc.).

With regard to EMAS, training will be conducted with the support of the Government of the Republic of Slovenia and analysis of the EMAS implementation in the Republic of Macedonia will be initiated.

Continuous operation of the wastewater treatment plant in SILMAK-Jegunovce will continue in order to reduce the pollution of soil, groundwater and surface water with six-valent chromium in the vicinity of Jegunovce.

The activities implemented under the Project "Sustainable remediation and management of pollution from the mines Bucim and Lojane" will continue. Based on the developed project for solving the pollution problems in Bucim, five detailed possible methodologies with financial implications and environmental sustainability have been offered. The National Steering Committee will decide which methodology will be selected for the project implementation. In the mine Lojane, based on the developed Feasibility Studies, technical solution will be elaborated and rehabilitation of the site itself will be conducted. The project will contribute to the settlement of some of the identified hot-spots in the Republic of Macedonia and thus to the provision of healthy environment for the population living close to those sites. At the same time, the project provides training in the hot-spots settlement for the stakeholders of the project.

Chemical analysis aimed at examining the contaminated soil around OKTA refinery will be carried out. On the basis of the results obtained, Study on the assessment of historical contamination on the territory of OKTA refinery will be carried out.

The implementation of the Project funded by the Czech Development Agency concerning the settlement of the old industrial pollution in OHIS-Skopje will be finalised. On the basis of the proposed alternatives, the Ministry of Environment and Physical Planning will decide on one of the alternatives, for which detailed design with financial implications of implementation will be elaborated.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

In this period, analysis of the amendments to EU legislation related to integrated pollution prevention and control will be carried out in order to transpose it in the legislation of the Republic of Macedonia. Particular attention will be paid to the new approach aimed at reducing the regulations and integrating legal and process solutions, in order to simplify the procedure for control and supervision over the installations.

The Law on the Ratification of the Convention on the Transboundary Effects of Industrial Accidents will be adopted. Register of operators of installations falling under the regime of industrial accidents control will be established.

In this period, the focus will be on the selection of the best solution and provision of the necessary financial resources to settle the four most priority industrial hot-spots, in accordance with the developed plans for remediation with financial implications for their elimination.

Activities for implementation of the Project "Sustainable remediation and management of pollution in the mines Bucim and Lojane" will continue.

INSTITUTIONAL FRAMEWORK

In this period, strengthening of the capacity of the Sector for Industrial Pollution and Risk Management will continue with new employments, as well as strengthening of the capacity of the units of local self-government. In this context, in relation to the implementation of IPA Component 1, a project has been planned for the purpose of strengthening central and local administrative capacities in waste management, concerning the aspects of IPPC and EIA, planned to commence in 2010. Trainings will be organised with regard to the implementation of the procedure for integrated environmental permitting, industrial accidents management and trainings in the settlement of the hot-spots on central and local levels.

The procedure for adjustment permits with adjustment plans issuance will be implemented continuously and should be finalised in this period.

In this period, practical implementation of the developed plans for remediation of the hot-spots is expected to commence.

Activities aimed at the implementation of the Project "Sustainable remediation and management of pollution in the mines Bucim and Lojane" will continue in this period. Remediation of the mines Bucim and Lojane will be completed, by which two of the significant historical pollutions in the Republic of Macedonia will be settled. Namely, system of integrated water management will be introduced in Bucim preventing the discharge of contaminated waters outside of the area of the mine Bucim and reclamation of the hydro tailings will be completed. In Lojane, remediation will be carried out with regard to hydro tailings and old industrial landfill.

Continuous operation of the wastewater treatment plant in SILMAK-Jegunovce will continue in order to reduce the pollution of soil, groundwater and surface water with six-valent chromium in the vicinity of Jegunovce.

FOREIGN SUPPORT

Implementation of the following projects is underway:

- Project concerning the settlement of the old industrial pollution in OHIS-Skopje, with a value of EUR 330,000 is funded by the Czech Development Agency. The Project will last by the end of 2009.
- Project "Sustainable remediation and management of pollution in the mines Bucim and Lojane". The Project value is USD 2,118,840 and it is financed by the Dutch Government, and implemented through UNDP. The Project will be co-financed in the segment for remediation of Bucim by its owner with an amount of EUR 573,000, while in the segment of Lojane, MEPP will co-finance MKD 6,000,000 from its budget. The Project will end in 2010.

3.27.7 CHEMICALS

CURRENT SITUATION

LEGAL FRAMEWORK

According to the Law on Chemicals (Official Gazette of the Republic of Macedonia No. 113/07), the Rulebook on the detailed conditions concerning the premises, the equipment and the staff that should be met by legal persons that produce hazardous chemicals (Official Gazette of the Republic of Macedonia No. 132/08) and Rulebook on specific conditions concerning the premises and the equipment that should be met by legal persons that perform trade in hazardous chemicals (Official Gazette of the Republic of Macedonia No.132/08) have been adopted. These Rulebooks do not transpose EU regulations, but establish legal grounds for the establishment of legal entities involved in the management of chemicals and chemicals production.

INSTITUTIONAL FRAMEWORK

The competent institution for chemicals management in the Republic of Macedonia is the Bureau for Drugs, constituent body of the Ministry of Health which follows positive experiences in the area of chemicals production and trade, storage and keeping of chemicals and undertakes measures towards improvement of the status; it monitors the release of chemicals into circulation and manages the procedure for distribution of chemicals into groups of hazard depending on the level of hazardness; it monitors data on chemicals and participates in the drafting of the required legislation in the area of chemicals. The Bureau for Drugs is also responsible for the issuance of permits for import and export of chemicals/preparations/biocides/precursors, as well as for the approval to perform activity of trade in hazardous chemicals and chemicals production.

On the basis of the Law on Precursors (Official Gazette of the Republic of Macedonia No. 37/04, 40/07), database of legal persons that are operators and perform trade in chemicals/precursors was established.

In January 2008, the Commission for Chemicals was established and it is responsible for chemicals and biocides classification and notification.

The capacity of the Information centre for Poisoning with Chemicals was strengthened with employment of 18 persons.

In the frames of the Project "Chemicals Risk Management in the Republic of Macedonia 2007-2010", Agreement was signed in December 2008 with the Swedish Agency for Chemicals – Kemi and Bureau for Drugs. Under this project, support will be provided in the transposition of European law into the national legislation, organisation of trainings for the administration, industry and all stakeholders that manage chemicals or the risk related to the use of hazardous chemicals subject of regulation of the Convention on Chemical Weapons and Rotterdam Convention on Import and Export of Toxic Chemicals. Two training courses were organised in the course of 2008 under this Project in order to strengthen the capacity of civil servants of the Drugs Bureau, MH, MEPP, experts from scientific institutions (Pharmaceutical Faculty and Clinic of Toxicology) in the drafting of bylaws in the area of chemicals, as well as in making proposals for amendment of the Law on Chemicals.

Within the Ministry of Environment and Physical Planning/Directorate for Environment, Unit for chemicals and industrial accidents has been established. This Unit performs control over the import/export of chemicals in accordance with the Decision on distribution of goods on export and import forms (Official Gazette of the Republic of Macedonia No. 158/07). Apart from this, it coordinates the management of specific groups of chemicals, such as: ozone depleting substances and persistent organic pollutants by way of implementation of the National programme for elimination of ozone depleting substances and National implementation plan for reduction and elimination of persistent organic pollutants in the Republic of Macedonia. The Unit is involved in the development of the national chemical profile, priorities and action plans in the frames of the implementation of the Project on introduction of safe chemicals management in the national development planning in accordance with the Millennium Development Goals.

In the domain of ozone depleting substances management, the level of elimination of ozone depleting substances (CFCs) is over 98% achieved through implementation of specific projects in almost all sectors where these substances are used. High number of trainings have been organised for this purpose, manuals have been prepared and equipment for CFCs collection was allocated.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

During the first quarter of 2009, the National list of new and classified substances in circulation on the territory of the Republic of Macedonia will be adopted. The National list is established by MH in agreement with the MEPP and MAFWE.

The Law on the Ratification of the Rotterdam Convention will be adopted as well and by this the procedure for prior informed consent for certain hazardous chemicals and pesticides in international trade will be regulated.

By the end of 2009, the Rulebook on ozone depleting substances management will be adopted.

INSTITUTIONAL FRAMEWORK

Strengthening of institutional capacity of the Bureau for Drugs has been envisaged through establishment of new Sector for Chemicals Management. Within the Sector, there will be a unit to carry out inspection supervision over chemicals handling.

Training of the staff in new procedures related to the Law on Chemicals and drafting of bylaws will be carried out in this period.

For the purpose of improvement of inter-sectoral cooperation in the implementation of the Law on Chemicals, establishment of inter-sectoral body for chemicals has been envisaged by the Government of the Republic of Macedonia to be composed by representatives of the Ministry of Health, Ministry of Environment and Physical Planning, Ministry of Agriculture, Forestry and Water Economy, Ministry of Interior, Ministry of Defense, Ministry of Economy, Ministry of Finance – Customs Administration, Ministry of Transport and Communications and representative of the Association of chemical industry.

In this period, it has been envisaged to initiate the activities concerning transformation of the Bureau for Drugs into Agency for Drugs. To this end, analysis of the organisational structure of the Bureau for Drugs, its institutional setup, staffing and equipment, will be carried out. The Agency for Drugs is expected to be established at the beginning of 2010.

In addition to the above, database of all legal persons performing the activity of chemicals production and trade will be established in accordance with the Law on Chemicals and relevant bylaws.

In the frames of the Project "Chemicals Risk Management in the Republic of Macedonia 2007-2010", trainings have been envisaged for the staff of MH, MEPP, MAFWE, scientific institutions, as well as legal persons that produce chemicals and/or release chemicals into circulation, and other chemical users, in order to introduce them in the chemical risk management in line

with the obligations deriving from the REAC Regulation. Participation in international training courses on the Strategy for chemicals management has been envisaged, too.

In this period, Guideline – safety list of chemicals and preparations, related to EU Directive 1991/155 on safety list will be developed.

The work of the Commission for Chemicals will proceed in this period.

In March 2009, TAIEX workshop on the implementation of REACH Regulation will be organised.

With regard to the protection of ozone layer, for the purpose of eliminating ozone depleting substances (CFCs), the ban of the import of substances contained in Annex A Group 1 of the Montreal Protocol on ozone depleting Substances will enter into force.

National chemical profile, priorities and action plans in the frames of the implementation of the Project on introduction of safe chemicals management in the national development planning in accordance with the Millennium Development Goals will be developed in this period. For the purpose of its development, efforts will be made to include all relevant stakeholders involved in the process of chemicals management in all phases of their life cycle through establishment of working groups (industrial chemicals, agro-chemicals, impact on human health).

With regard to PCBs, activities will focus on reduction and elimination of threats from the burdens on human health and environment caused by PCBs through establishment of a system for environmentally acceptable removal of PCBs and PCB containing equipment, including legislation, capacity building on institutional and technical level, public awareness increase and assistance in the process of elimination of PCB containing equipment at three selected locations.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

For this period, drafting and adoption of a Law Amending the Law on Chemicals has been envisaged. At the same time, analysis will be made for the purpose of adjustment of the national legislation to the implementation of the REACH Regulation.

Bylaws deriving from the Law on Chemicals will be drafted and adopted to transpose Directive 67/548/EEC on hazardous chemicals classification, labelling and packaging, Directive 2004/10/EC on good laboratory practice. Namely, bylaws will regulate the procedure for determination of hazardous properties of chemicals, as well as the risk assessment of chemicals for human health and environment, the manner of testing of physical, toxic and eco-toxic properties of chemicals, the procedure for determination of hazardous properties of chemicals. Also, the content of the application for new substances notification will be specified. By way of bylaws, data to be included in the technical file, as well as data required for the technical file of polymers will be specified. The principles of good laboratory practice will be set, too. The manner of hazardous chemicals classification and labelling will be regulated through transposition of Regulation (EC) 2008/1272.

For this period, it has been planned to adopt Rulebook on ozone depleting substances management through which Regulation 2037/2000/EC of the European Parliament and of the Council on ozone depleting substances will be transposed.

INSTITUTIONAL FRAMEWORK

Strengthening of institutional capacity of the competent institutions in the area of chemicals will continue in this period through new employments and trainings.

In this period, training of inspectors for chemicals will be carried out with regard to the new legislation implementation.

The Commission for Chemicals will work in this period continuously.

During this period, Plan will be developed for final elimination of HCFC in the Republic of Macedonia, and the system of environmentally acceptable removal of PCBs and PCB containing equipment will be defined.

In order to eliminate PCBs, working groups will be established to identify PCB containing equipment and sampling procedures will be defined. At the same time, trainings in identification of PCB containing equipment will be organised and sampling and samples testing will be conducted.

National plan for the implementation of SAICM will be adopted, by which the national chemical profile will be defined, national priorities in the area of chemicals management will be identified and action plans for SAICM implementation on national level will be prepared.

FOREIGN SUPPORT

The activities envisaged under the Project "Chemicals Risk Management in the Republic of Macedonia 2007-2010" will continue. The Project is financed by the Kingdom of Sweden, in the amount of EUR 490,000.

The Project "Introduction of safe chemicals management in the national development planning in accordance with the Millennium Development Goals" is funded by the Quick Start Facility of Strategic Approach to International Chemicals Management (SAICM). Its duration is two years (2008-2010), in the amount of EUR 170,092.

The Project "Plan for full elimination of CFCs in the Republic of Macedonia" is funded by the Multilateral Fund of the Montreal Protocol on Ozone Depleting Substances. Its duration is five years (2005-2010), in the amount of EUR 186,054.

The Project "Elimination of PCBs and PCB containing equipment in the Republic of Macedonia" is funded by GEF. Its duration is three years (2008-2011), in the amount of EUR 1,828,000

The project "Preparation of Plan for final elimination of HCFC in the Republic of Macedonia" is funded by the Multilateral Fund of the Montreal Protocol on Ozone Depleting Substances. Its duration is five months (1 December 2008 – 30 April 2009), in the amount of EUR 56,667

Planned project:

Project "Institutional support – implementation of the sixth phase of the project on ozone layer protection", with a duration of two years (2009-2011), to be funded by Multilateral Fund of the Montreal Protocol in the amount of EUR 132,230.

3.27.8 GENETICALLY MODIFIED ORGANISMS

CURRENT STATUS

LEGAL FRAMEWORK

The legal framework in the area of genetically modified organisms is regulated by the Law on GMO (Official Gazette of the Republic of Macedonia No.35/2008). The Law is harmonised with Directive 2001/18/EC of the European Parliament and of the Council of 12 March 2001 on deliberate release of genetically modified organisms into the environment, Regulations (EC) 1829/2003 and 1830 / 2003, as well as Decisions 2002 /623/EC and 2002 /811/ EC and Council Directive 90/219/EC of 23 April 1990 on restricted use of genetically modified microorganisms amended by Directive 98/81/EEC amended by Regulation (EC) 1882/2003 and Decision 2001 /204/ EC and 2005/174/ EC.

The Law regulates the management of genetically modified organisms and combination of genetically modified organisms, genetically modified organisms containing products and/or consist of or originate from combination of genetically modified organisms, the measures for prevention and reduction of possible negative impacts on human health and environment as consequence from restricted use of genetically modified organisms, deliberate release of genetically modified organisms into the environment or placement of products on the market, as well as transboundary movement of genetically modified organisms and products.

On the basis of the Law on the Food Safety, Products and Materials in Contact with Food (Official Gazette of the Republic of Macedonia No. 54/2002 and 84/2007), and the Law on Genetically Modified Organisms (Official Gazette of the Republic of Macedonia No. 35/2008), in 2008, the Food Directorate prepared the Rulebook on specific requirements on the safety of food containing or produced from genetically modified organisms (Official Gazette of the Republic of Macedonia No. 78/2008), in which the provisions of EU Regulations 1829/2003/EC and 1830/2003/EC have been transposed.

INSTITUTIONAL FRAMEWORK

The Ministry of Environment and Physical Planning is the responsible body regarding policy making and implementation in the area of genetically modified organisms. The Directorate for Environment as constituent body of the Ministry of Environment and Physical Planning holds the competence for the performance of professional and administrative matters in the area of genetically modified organisms.

In terms of administrative framework, two job positions have been envisaged at present in the Administration of Environment, department for Nature, to perform the tasks related to GMO.

Food Directorate as constituent body of the Ministry of Health is the competent body for GMO treatment in food. On the basis of the Rulebook on specific requirements on the safety of food containing or produced from genetically modified organisms, the Food Directorate initiated sampling of food for analysis with regard to the presence of genetically modified organisms through its state inspectors of food in the frames of official controls. Then, the samples are sent for analysis to the Faculty of Agricultural Science and Food, University "St. Cyril and Methodius", Skopje. This laboratory was authorised by the Ministry of Health in 2006 to perform analysis with regard to the presence of GMO in food.

Ministry of Agriculture, Forestry and Water Economy (MAFWE) also holds competences in GMO management in the segment of the procedure for GMO containing products placement on the market.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

In the coming period, drafting and adoption of part of the bylaws deriving from the Law on GMO has been envisaged, in order to regulate deliberate releasing of GMO into the environment. Namely, the areas with lands on which release of genetically modified reproductive material into the environment is not allowed will be determined and the size of protection zones occupying adjacent areas and preventing GMO spreading on areas on which deliberate release of GMO is not allowed will be specified; content of information attached to the notification on deliberate release of GMO into the environment will be defined. Also, the basic principles, the content, the volume and the methodology for assessment of the nature of incorporated GMO and the environment according to which the environmental risk assessment is performed will be established.

In order to establish the procedure for notification of the restricted use of GMO, the form and the content of the notification on restricted GMO use will be specified in bylaws, as well as the information required to be submitted by the user together with the notification to the Ministry of Environment and Physical Planning where such notification is submitted with regard to the area in which GMO will be used for the first time separately for each class of restricted use. The adoption of the above bylaws will note further transposition of Directive 2001/18/EC and Directive 98/81/EEC.

Also by way of bylaws, the content of the announcement of data on the place where inspection of the data contained in the notification can be made will be specified and methodology of the elements of assessment, parameters, minimum criteria and requirements that have to be taken into account during the assessment, the procedure for the assessment performance, as well as the restrictions and the safety measures, including other technical conditions for each class separately if necessary for ensuring human health and environment protection depending on the type of the organism, will be regulated. By this, Directives 90/219/EC and 2001/18/EC will be transposed.

In this period, the Commission for GMO Management and Scientific GMO Committee will be established in accordance with the Law on GMO.

INSTITUTIONAL FRAMEWORK

The implementation of the Law on GMO and the relevant bylaws requires capacity of the Ministry of Environment and Physical Planning, Directorate for Environment - Sector for Nature to be strengthened by new employments and trainings.

Trainings will be organised in the domains of establishment and maintenance of database in accordance with the Cartagena Protocol on Biosafety. At the same time, database of the biosafety clearing house will be established, as an obligation posed by the ratified Cartagena Protocol on Biosafety to the Convention on Biodiversity. For the purpose of database maintenance, information technology will be procured for the staff of the Department for Nature who will perform the tasks related to GMO. In the frames of this project, public awareness campaigns will be conducted in order to improve the public awareness of the use of GMO and increase the level of responsibility of legal persons involved in GMO and GMO products management.

In this period, analysis of areas will be made in order to determine the areas on which releasing of GMO will not be allowed. At the same time, activities will be initiated towards establishment of Central laboratory for GMO testing.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

Further harmonisation of the national legislation concerning the regulation of restricted use of GMO and release of GMO containing products on the market, will achieve full transposition of Directive 2001/18/EC and Directive 98/81/EEC.

By means of bylaws, the conditions for areas intended for GMO use, the content of information for GMO products release on the market, the content and the manner of preparation of the report on the assessment of GMO will be regulated. The level of the costs related to the issuance of permit for GMO product release on the market and the detailed content of the plan for emergency measures will be specified, too.

In this period, activities will commence towards establishment of GMO Register.

In this period, the manner and the procedure for public participation in the process of issuance of permits for GMO and GMO products will be specified; the manner and the procedure for exchange of information on accident occurred, measures undertaken and their efficiency and analysis of the accident, including recommendations for restriction of effects and avoiding similar accidents in future, will be established. Information that may be omitted in the notification on GMO product releasing on the market will be specified; information and data to be attached to the notification on GMO and GMO product export will be specified; the content

and the manner of preparation of the report on GMO product assessment will be regulated, and the form and the content of the permit for GMO and/or GMO products export will be defined. These regulations will achieve transposition of Directive 2001/18/EC and Directive 90/219/EC.

Rulebook on the form, the content, the methodology and the manner of GMO Register keeping, and the Rulebook on the level of the costs related to the issuance of permit for GMO product releasing on the market are planned as medium term priorities.

INSTITUTIONAL FRAMEWORK

Within the Ministry of Environment and Physical Planning, Directorate for Environment - Sector for Nature, separate Unit for GMO will be established as responsible unit for the implementation of the obligations posed by the Law on GMO.

Namely, job positions for the following tasks will be created in the Division for GMO: implementation of the procedure for notification through issuance of permits (permit for use of area for GMO, permit for restricted use of GMO, permit for deliberate release of GMO into the environment, permit for GMO product release on the market, permit for GMO and GMO products export, permit for GMO and GMO products import, permit for GMO and GMO products transit); establishment and keeping of the Register of GMO; public participation in decision making in relation to GMO and access to information; management in case of risk and keeping records of emergency plans and risk assessment; preparation of reports; performance of expert, administrative and technical tasks within the secretariat of the Commission for GMO Management and Scientific GMO Committee; establishment and maintenance of biosafety clearing house and implementation of the requirements deriving from Cartagena Protocol to the Convention on Biodiversity.

In this period, public campaigns will be organised in order to improve public awareness on the use of GMO and enhance the level of responsibility of legal persons to be involved in GMO and GMO products management.

The Central Laboratory for GMO Testing will be established in this period.

FOREIGN SUPPORT

Current Project

UNEP/GEF Project: Strengthening the capacity for effective participation in Biosafety Clearing House

The main goal of the Project is to establish and maintain Biosafety Clearing House, as an obligation posed by the ratified Cartagena Protocol on Biosafety (Article 20) to the Convention on Biodiversity.

3.27.9 NOISE

CURRENT SITUATION

LEGAL FRAMEWORK

The Law on Protection against Environmental Noise (Official Gazette of the Republic of Macedonia No. 79/07) has established the legal basis for environmental noise management in the Republic of Macedonia. Directive 2002/49/EC of the European Parliament and of the Council of 25 June 2002 on environmental noise assessment and management has been transposed in this Law and thus the basic recommendations and requirements of the European Union in the area of environmental noise have been met and it also provides the legal grounds for the adoption of bylaws by means of which the remained part of the EU *acquis* on noise will be transposed.

In 2008, the Rulebook regulating the application of noise indicators, additional noise indicators, manner of noise measurement and methods of assessment through environmental noise indicators, as well as Rulebook concerning the locations of measuring stations and measuring points were adopted. The first bylaw (Official Gazette of the Republic of Macedonia No. 107/2008) regulates the application of noise indicators, additional noise indicators, manner of noise measurement and methods of assessment through environmental noise indicators. In this context, the core indicators of noise have been determined, including the day-evening-night noise indicator (L_{den}), day noise indicator (L_d), evening noise indicator (L_e), night noise indicator or night level (L_{night}). It has been established that additional noise indicators may be used as well, namely: equivalent noise level for certain time period (L_{eq,T}), maximum noise level (L_{A max}) and sound exposure level (SEL). Further transposition of Directive 2002/49/EC was achieved by this bylaw.

The bylaw concerning the locations (Official Gazette of the Republic of Macedonia No. 120/2008) specifies the locations of measuring stations and measuring points by area depending on the degree of protection against noise and type of activities and sensitivity of population staying therein, differentiated into four degrees, namely: area of I degree of protection against noise, area of II degree of protection against noise, area of III degree of protection against noise and area of IV degree of protection against noise.

In the course of 2008, bylaw concerning specification of noise levels limit values was adopted (Official Gazette of the Republic of Macedonia No. 147/2008) and it is of importance for human health protection, although no EU measures were transposed in it.

Also, bylaw regulating detailed conditions for the equipment to be possessed by entities performing environmental noise monitoring was adopted in 2008.

INSTITUTIONAL FRAMEWORK

MEPP is the competent body for the area of noise, especially for the implementation of the Law on Protection against Environmental Noise and enforcement of the Law and regulations adopted on the basis of the Law. Working posts have been envisaged in the Directorate for Environment, Sector for Environment, to perform tasks related to protection against noise. Inspection supervision over the implementation of the Law and regulations adopted on the basis of the Law is performed by the State Environment Inspectorate, constituent body of the MEPP, as well as inspectors of environment of LSGUs. Certain responsibilities in noise management are also assigned to the State Sanitary and Health Inspectorate as constituent body of the Ministry of Health concerning noise control from health point of view, Ministry of Economy concerning the noise generated from products and LSGUs concerning the noise generated by catering, artisan and tourist activities.

With respect to the noise monitoring, MEPP collects and processes data from environmental noise measurements performed by the Republic Institute for Health Protection and 10 Regional Institutes for Health Protection, as well as measurements conducted by the Central Laboratory of the MEPP, concerning different types of noise generated by different categories of noise generators (industry, airports, catering and tourist facilities and other activities).

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

In the course of 2009, bylaws will be adopted to regulate the noise monitoring, i.e. the manner and the conditions, manner and procedure of network establishment and operation, methodology and manner of monitoring, as well as conditions, manner and procedure of monitoring information and data delivery from the monitoring of the state of noise. In order to establish the grounds for development of strategic maps and action plans, bylaws will be prepared with regard to: the manner of cooperation with the bodies responsible for the development of action plans for noise with the bodies responsible for the development of action plans in the neighbouring country; the manner of cooperation of the bodies responsible for the development of strategic noise maps with the bodies responsible for the development of action plans in the neighbouring country; bylaw on the detailed content of action plans for noise, the manner of development and the manner of data collection for the purpose of noise action plans development, as well as the manner of its collection, keeping and recording; bylaw on the detailed content of strategic maps of noise, the manner of development and the manner of data collection for the purpose of noise strategic maps development, as well as the manner of its collection, keeping and recording; and bylaw to determine agglomerations, main roads, main railroads and main airports for which strategic maps of noise should be developed. Certain provisions of Directive 2002/49/EC will be transposed in the mentioned bylaws.

INSTITUTIONAL FRAMEWORK

In the course of 2009, the capacity of Directorate for Environment, Sector for Environment and Sector - Macedonian Environmental Information Centre will be strengthened by way of new employments and trainings in order to enforce the Law and the relevant bylaws.

At the same time, capacities of the local self-governmental units will be strengthened in noise management on local level through employment and training.

In order to provide integrated system for noise monitoring, activities will be initiated towards analysis of all noise monitoring stations existing in the Republic of Macedonia in the context of the establishment of the State noise monitoring network and adoption of Programme for its operation. On the basis of data from existing noise monitoring stations, activities will be initiated to determine agglomerations and areas for which strategic maps of noise should be developed.

In parallel with the above, activities will be initiated towards development of Operational Programme for noise levels measurement and monitoring.

Trainings have been planned for the staff in the domain of establishment and performance of noise monitoring, to involve the staff from all institutions that hold competences in the area of noise, including the units of the local self-government.

In this period, activities aimed at establishing GIS of environmental noise data will commence in order to achieve full implementation of the requirements of the INSPIRE Directive which provides the legal grounds for the implementation of the European Infrastructure Spatial Data as one of the main components of the European Environmental Information System (SEIS).

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

In this period, adoption of bylaws is expected, by which the legal framework in the area of noise will be finalised and full harmonisation with the relevant EU *acquis* will be achieved.

Namely, by means of bylaws, specific types of separate noise sources will be specified, as well as the conditions for protection against noise generated by road, railroad, air and water traffic, and specific types of separate noise sources, by which the following EU measures will be transposed: Directives 84/372/EEC, 89/629/EEC, and 98/20/EC. Conditions that have to be met by plants, equipment, installations and devices used outdoors with regard to noise emission and standards for protection against noise, will be specified, thus achieving transposition of Directives 2000/14/EC and 2005/88/EC. Also, specific types of separate noise sources and conditions to be met by devices, household apparatuses and appliances with regard to the standards for protection against noise will be specified, which will mean transposition of Directive 2005/32/EEC, taking also into account the provisions of Directive 86/594/EEC.

INSTITUTIONAL FRAMEWORK

For the purposes of regular noise monitoring, the State noise monitoring network will be established and Operational Programme for the operation of the State noise monitoring network will be prepared in this period.

Until the establishment of the State environmental noise monitoring network, and in order to operationalise the work of the noise monitoring stations, Operational Programme for noise levels measurement and monitoring will be adopted.

In this period, activities will be initiated to establish the state of environmental noise monitoring system as part of the overall environmental information system of the Republic of Macedonia, to incorporate data produced by noise monitoring, data contained in noise strategic maps and action plans and other relevant data obtained through individual noise measurements.

Activities aimed at establishing and maintaining the cadastre of noise generators and map of noise generators will be initiated.

At the same time, it has been envisaged to procure measuring instrument for noise and vibrations in order to extend the monitoring network for noise levels measurement and monitoring and carry out trainings in its use for the staff of the Central Laboratory of Environment within the Administration of Environment.

Specific activities aimed at developing strategic maps and action plans for noise will commence during this period.

FOREIGN SUPPORT

At present, no projects related to noise management are implemented under foreign support.

3.27.10 FORESTRY

CURRENT SITUATION

LEGAL FRAMEWORK

In 2008, the Law Amending the Law on Forests (Official Gazette of the Republic of Macedonia No. 103/2008) was adopted, by which the manner of records keeping through specific forms of the manner of woodcutting and forest assortments production in phases (cutting, supply and transport), was specified more precisely, as well as the manner of fuel wood provision by natural persons in state owned forests for their own needs, the manner of implementation of the measures for rare tree species cutting outside forests and the manner of management of forests with established ownership title.

Under the Law Amending the Law on Hunting (Official Gazette of the Republic of Macedonia No. 88/2008), the wolf was proclaimed as game without protection in order to reduce damages caused by this game species.

The Law on Forest and Hunting Inspection (Official Gazette of the Republic of Macedonia No. 88/2008), adopted in the second half of 2008, regulates the principles of inspection supervision, competences, organisation of the inspection, positions, rights and duties of inspectors, inspection supervision procedures and other issues related to inspection supervision.

On the basis of the Law on Reproductive Material of Forest Tree Species (Official Gazette of the Republic of Macedonia No. 55/07), 12 bylaws were adopted in October (Official Gazette of the Republic of Macedonia No. 131/08), in six out of which Directive 1999/105/EC on the marketing of forest reproductive material was transposed with respect to the List of economically important forest tree species, conditions for recognition of the types of basic material, application for and expert opinion on the recognition of the types of basic material, certificate and manner of keeping the Register of recognised basic material, certificates of origin of reproductive material and the manner of business books keeping.

In this period, the implementation of the Strategy for Sustainable Development of Forestry in the Republic of Macedonia with Action Plan – 2007-2009 has proceeded.

The Programme for expanded forest reproduction for 2008 (Official Gazette of the Republic of Macedonia Nos. 20/08 and 67/08) was adopted. Under the Programme, financial resources have been allocated from the Budget of the Republic of Macedonia, to support several activities, such as: forestation of bare lands and erosive areas, nursing of forest plantations by thinning out the density, reclamation of degraded oak forests, remediation of forest areas upon fire and their artificial recovery and prevention of

mass forest and forest species drying out, provision of nursery plants for private forestation and for environmental actions and for "The Day of the Tree - Plant your Future" and protection of forests and forest plantations against plant pests and forest insects.

In addition to the above, the Government of the Republic of Macedonia adopted the Report on the implementation of the Programme for expanded forests reproduction for 2007 and the Information on the health status of forests in the Republic of Macedonia for 2007, with proposed measures.

INSTITUTIONAL FRAMEWORK

In 2008, activities for strengthening of the capacity of the MAFWE were undertaken – Sector for Forestry and Hunting initiated the procedure for employment of two new persons. Also, several training courses were carried out, the most important among which focused on the following topics: "Forestry related to EU policies and international agreements", "Development of private and communal forests in SEE countries", "Other forest products management and use", and "Recreational function of forests", and eight computers and one network printer were procured.

MAFWE - The State Forestry and Hunting Inspectorate performs supervision over the enforcement of the legislation in the areas of forestry and hunting, and plant health. The procedure for employment of five new civil servants has been initiated, ten computers and one network printers have been procured; and SEESIM training on simulation exercise for fires management on regional level was organised. In addition to this, two new Sectors have been established - Sector for Forestry and Sector for Hunting.

MAFWE - Forest Police, responsible to safeguard forests in state and private ownership, carried out technical training for all forest police officers in the segment of improvement of the quality and efficiency of forest guarding in the Republic of Macedonia. Also, five computers and one network printer were procured.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

Adoption of the Law on Hunting has been envisaged for this period. In the Law on Hunting and some of the bylaws to be adopted on the basis of this law, the following EU measures will be transposed: Directive 79/409/EEC on the conservation of wild birds, amended by Directives 81/854/EEC, 86/122/EEC, 91/244/EEC, 94/24/EC, 97/49/EC and Regulation (EC) 807/2003 in the segment of the lists of protected wild bird species and Regulation (EEC) 3254/91 prohibiting the leghold traps use in game hunting.

In addition to this, adoption of new Law on Forests has been envisaged, based on which two Rulebooks will be adopted concerning the support of activities of sustainable forest management, especially in the segment of forests protection from atmospheric pollution and forest fires, transposing Regulation (EC) 1737/2006/EC implementing Regulation (EC) 2152/2003 concerning monitoring of forests and environmental interactions in the Community (Forest Focus).

INSTITUTIONAL FRAMEWORK

In this period, activities will be carried out to accomplish new employments and strengthening of the capacity on the basis of the new systematisation of job positions of MAFWE and State Inspectorate of Forestry and Hunting adopted in 2008, organise professional trainings for the staff, procure equipment (vehicles, field vehicles, IT equipment, software, etc.). Also, trainings and study visits aimed at strengthening of the capacity of the State Inspectorate of Forestry and Hunting will be carried out, as well as other trainings to strengthen the capacity of administration involved in forest protection and hunting.

MAFWE - Department for Forestry and Hunting will be strengthened by way of new employments, as well as the State Inspectorate of Forestry and Hunting, where the employment procedure for new staff started by the end of 2008.

In this period, studies will be developed on game introduction and reintroduction in state owned hunting sites, on preventive and pre-suppressive protection of forests against fires, on protection of forest areas at risk of erosion and development of forest road network, as one of the instruments for forestry policy creation and implementation. The Programme for expanded forest reproduction for 2009 will be adopted, too.

In order to collect high quality information in the area of forestry, the activities in this period will focus on the provision of GIS software and hardware and training of the staff in its use in order to establish information network and introduce GIS technology.

Also, activities related to forestation of bare lands and erosive areas and reclamation of degraded oak forests in order to achieve sustainable forestry development, will be carried out.

MAFWE - Sector for Forestry and Hunting prepares annual reports on the implementation of the Programme for expanded forest reproduction for 2008 and Information on the health status of forests in 2008 with proposed measures.

Methodology for inventory of the forests in the Republic of Macedonia and its implementation will be completed in this period, with the support provided under the project financed by FAO and local contribution.

In the frames of the Project "Strengthening of the preparedness for national forests protection against fires", activities will be undertaken towards strengthening of the national administrative and operational bodies holding responsibility for forest fires management and infrastructure development for coordination of strategic plans for fires management, based on the existing structure of forest management, including also the forecasting of forest fires occurrence. Activities will be also focused on the prevention, monitoring, detection, suppression and safety with forest fires, education and establishment of information system for forest fires prevention. In these activities, the accent will be placed on administrative staff in the MAFWE, State Inspectorate of Forestry and Hunting and PE Makedonski sumi.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

The Law Amending the Law on Reproductive Material of Forest Tree Species is expected to be adopted by June 2011 in order to reach full approximation with Directive 1999/105/EC in respect of the marketing of forest reproductive material.

For the purpose of transposing Commission Regulation (EC) 1737/2006 which specifies detailed rules for the implementation of the Regulation (EC) 2152/2003 concerning monitoring of forests and environmental interactions in the Community, two rulebooks will be adopted in this period.

INSTITUTIONAL FRAMEWORK

In order to strengthen the capacity of competent institutions, enhancement of human resources and provision of professional training for the staff have been planned.

In this period, organisation of professional trainings and procurement of equipment (vehicles, field vehicles, IT equipment, software, etc.) in the State Forestry and Hunting Inspectorate will continue.

Also, activities related to forestation of bare lands and erosive areas and reclamation of degraded oak forests in order to achieve sustainable forestry development, will be carried out.

MAFWE - Department for Forestry and Hunting prepares annual reports on the implementation of the Programme for expanded forest reproduction for the previous year and Information on the health status of forests in the previous year, with proposed measures.

In this period, the Project "Strengthening of the preparedness for national forests protection against fires" will be finalised and significant improvement of the capacity of administrative and operational bodies holding responsibility for forest fires management will be achieved, and the capacity for infrastructure development and coordination of strategic plans for fires management will be improved, too.

FOREIGN SUPPORT

1. Project: "Development of methodology for inventory of the forests in the Republic of Macedonia and its implementation", with duration from October 2007 to December 2009 (ongoing), with a value of EUR 6,114,754, financed by FAO.
2. Project "Strengthening of the preparedness for national forests protection against fires", with duration from November 2008 to October 2010 (ongoing), with a value of EUR 267,768, financed by FAO.
3. Project is needed towards "Establishment of information network and introduction of GIS technology", to be implemented between March 2009 and March 2011, with a value of EUR 413,114. Financial support for this project is expected from donors.

3.28 CONSUMER AND HEALTH PROTECTION

3.28.1 CONSUMER PROTECTION

CURRENT SITUATION

LEGAL FRAMEWORK

In the area of consumer protection, by enacting the 2007-2008 Programme for Consumer Protection *horizontal aspects* have been underlined.

By the Law on Consumer Protection, the EU measures 3198I0577, 31993I0013, 21994I0047, 1997I0007, 31998I0006, 31998I0027, 31999I0044 have already been transposed, and the EU measure 1990I0314 has been fully transposed into the Law on Tourism (Official Gazette of the RM No 62/2004).

In 2008 started the implementation of the amendments to the Law on Consumer Protection in Agreements for Consumer Credits, made in 2007. The effects of the implementation of this Law will be summarised at the end of the year.

Due to timely harmonisation and successful implementation, upon the request of the Ministry of Finance, in collaboration with the Ministry of Economy and Secretariat for European Affaires, on 4 November 2008, a TAIEX training was held in which experts from the European Commission presented the content of Directive 2002/65/EC, the experiences of the Member States concerning the harmonisation of the legislation with this directive and its practical application.

Regarding the harmonisation of the legislation on inspection services responsible for implementation of the consumer policies the following primary and secondary pieces of legislation arising from the Law on State Market Inspectorate have been enacted:

- Law on Legal Protection of Services Based on or Covering Conditioned Access (Official Gazette of RM No 127/08);
- Law Amending the Law on Trade (Official Gazette of RM No 88/08);
- Law Amending the Law on Tobacco and Tobacco Products (Official Gazette of RM No 88/08)
- Law Amending the Law on Wine (Official Gazette of RM No 89/08),
- Law Amending the Law on Tourism (Official Gazette of RM No 89/08),
- Law Amending the Law on Protection from Smoking (Official Gazette of RM No 103/08)
- Law Amending the Law on Construction Products (Official Gazette of RM No 86/08)
- Law on E-Commerce (Official Gazette of RM No 133/07)
- Law Amending the Law on Catering Activities (Official Gazette of RM No 89/08)
- Rulebook Amending and Complementing the Rulebook on Minimum Technical Conditions on Business Premises and Premises where Trade is Performed (Official Gazette of RM No 93/08)
- Rulebook on Minimum Technical Conditions on Premises where Alcoholic Beverages are Sold, the form and content of the Licence Form, content and manner of maintaining the Registry on Issued and Deprived Licences (Official Gazette No 93/08)

The Law Amending the Law on Food Safety and Products and Materials in Contact with Food has been enacted (Official Gazette of RM No 84/07) which has been fully harmonised with the Regulation (EC) 178/2002 of the European Parliament and of the Council.

Within the Sector for Food Standards at the Food Directorate and the Unit for Consumer Protection, a Guide on Labelling Food Products has been published with the support of GTZ as part of the consumer protection activities.

This Unit records and classifies consumer complaints, where for the period from 1 January 2008 to 31 August 2008, a total of 64 complaints submitted orally or in writing have been recorded. Most frequent reasons for complaints are expired date of use of the food products, lack of hygiene in the facilities, inappropriate labelling, presence of foreign bodies in the food etc.

INSTITUTIONAL FRAMEWORK

In terms of strengthening the administrative capacity of the institutions responsible for implementation of consumer policies certain progress has been noticed. The Unit for Consumer Protection within the Ministry of Economy has been strengthened with one new employee and has 3 employees in total.

Three persons have been employed in the Unit for Banking Systems within the Sector for Financial Systems (MF).

Within the State Market Inspectorate in addition to the 10 (ten) established Units, 3 (three) new Units have been envisaged, which will direct their activity towards consistent implementation of the regulations harmonised with the EU legislation, and particular emphasis shall be given to the implementation of the Law on Product Safety.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

Regarding the horizontal issues, in 2009 actions will be undertaken for the implementation of the activities of 2009 -2010 Programme for Consumer Protection. This is the third Programme of the application of the Law on Consumer Protection supported by the Council for Consumer Protection (governmental body) and the novelty is that in addition to the activities of the Ministry of Economy, tasks have been assigned to other responsible ministries: the Ministry of Health (Food Directorate and State Sanitary and Health Inspectorate), the Ministry of Transport and Communications and the Ministry of Education and Science (Bureau for Development of Education), which will be financed from the funds planned in their respective budgets. Until now the funding of the activities has been solely from the Budget of the Ministry of Economy.

Within the Programme several activities have been foreseen taking into account the horizontal aspects:

1. Ministry of Economy

Convening working meetings in order to analyse the market situation from the aspect of placing safe and quality products (children's toys) in the market, with the aim to achieve a high level of health protection and child security, with the representatives of the Ministry of Health (State Sanitary and Health Inspectorate), State Market Inspectorate, Chambers of Commerce and Consumers Organisation of Macedonia;

- Regional seminars will be held with the purpose of considering the implementation of the Law on Consumer Protection, in the area of trade in goods and services, distance contracts and agreements on time limited right to use certain immovable assets (real estate) (TIME SHARING);;
- Working meetings will be held in the area of trade in order to analyse the effects of the implementation of the amendments to the Law on Trade related to sale of alcoholic beverages and penalty measures, as well as control of declaration, warranty, technical manual, inventory of certified services and the other in the internal market;
- To analyse the situation in the area of tourism and catering from the perspective of high-quality offer of tourist services provided by travel agencies and the rights and obligations of consumers being beneficiaries of these services;
- A media campaign at both national and local level for the purpose of raising public awareness of the consumers regarding their rights arising from the Law on Industrial Property, in collaboration with the Chambers of Commerce, State Market Inspectorate and Consumers Organisation of Macedonia;

2. Ministry of Health

- Food Directorate

- In the area of food safety, regular information of the consumers by means of seminars and workshops at both national and local level, preparing leaflets on proper nutrition, food quality, as well as inspection controls performed in the food product market;
- The Sector for Food Standards at the Food Directorate and the Unit for Consumer Protection have participated in drafting the 2009-2010 Programme for Consumer Protection, in the Section on Food Safety, with planned activities for which funding has been provided from the budget of the Food Directorate.

- State Sanitary and Health Inspectorate

- Implementation of the Law on Protection of Patients' Rights by holding training of State Sanitary and Health Inspectors at both national and local level;
- Convening working meetings with representatives of health institutions, health workers, the Medical Chamber, the Macedonian Medical Association, the Health Insurance Fund and NGOs for consumer protection for the purpose of considering the situation in this area, rights and obligations of health institutions, as well as rights and obligations of patients (consumers/users of health services);
- Implementation of the Law on Safety of Cosmetic Products which will enter into force in May 2009, by means of training for the inspectors on the experts level in the area of good production practices of cosmetic products, aiming at proper implementation of the Law.
- Establishment of Unit for Patient and Consumer Rights Protection is being planned within the Sector for Technical Advice Matters.

3. Ministry of Transport and Communications

- In the area of public services for the purpose of considering and analysing of the situation from the consumer protection perspective, working meetings will be held with representatives of: JSCs T-Home, T-Mobile, Cosmofon, On-Net, VIP, Cabeltel, State Market Inspectorate, Competition Protection Commission, Agency for Electronic Communications, the Broadcasting Council, the Ombudsman and Consumers Organisation of Macedonia;
- Implementation of the Law on Housing and the Housing Strategy of the Republic of Macedonia for the period 2007-2009 by holding expert counselling at both national and local level, development of brochures in collaboration with the local government, the Ministry of Economy, business community and Consumers Organisation of Macedonia.

4. Ministry of Education and Science - Bureau for Development of Education

- Realisation of the nine-year primary education concept
- Education of the young population in the area of consumer protection by organising educational workshops at public kindergartens, pre-school facilities and primary schools within the framework of the curricula where the subject Life skills along with the topic "Pupils as consumers" is introduced ;
- Establishing and equipping consumer protection offices at primary schools with educational materials on nutrition, such as fliers / information sheets, newsletters, manuals, laws, programmes etc. to be used by both teachers and students.
- In 2009 direct financial support will continue for consumer associations at both national and local level from the budgetary funds of the Ministry of Economy in accordance with the Code of Good Practices of financial support to civic associations and foundations ("Official Gazette of the Republic of Macedonia" No 130/07) for programmes (projects) on information, education and counselling of consumers.
- Establishment of a new Consumer Protection Council by the Government of the Republic of Macedonia due to the expiry of the four-year mandate of the current members of the Council established in 2005 (Official Gazette of the Republic of Macedonia No 11/2005).

Related to proper action and enforcement on the part of the inspection services responsible for the implementation of consumer policies, on the short term activities will be undertaken to the end of strengthening and better operation of the Steering Committee (Coordination Body) for Inspection control (see Chapter 01).

INSTITUTIONAL FRAMEWORK

Regarding the implementation and inter-ministerial cooperation in relation to the implementation of consumer policies, on the short term, activities will be undertaken in respect of administrative and institutional strengthening of the competent institutions.

The Unit for Consumer Protection in the Ministry of Economy will be strengthened with one person.

Trainings aiming at better implementation of consumer policies and legal regulations, shall be carried out for the state market inspectors.

Within the State Market Inspectorate a higher number of new employments has been envisaged. With the reorganisation of the Inspectorate in addition to the existing 10 (ten) Units, 3 (three) new Units have been envisaged, which will direct their activity towards consistent implementation of the regulations harmonised with the EU legislation, and special emphasis shall be given to the implementation of the Law on Product Safety.

For that purpose by the end of the year and in the first quarter of 2009, employment of 5 (five) workers with BSc degrees (technical profile) is planned.

The Unit for Banking System, responsible for implementation of legislation and financial service provision, within the Sector for Financial System (MF) shall be strengthened with 5 persons.

The Unit for Consumer Protection within the Sector for Food Standards at the Food Directorate undertakes activities directed towards protection of consumer health and consumers themselves from misleading the area of food safety. The Unit has 1 employee. Capacity strengthening of Unit for Consumer Protection within the Food Directorate has been foreseen by employment of new staff.

A Macedonian portal on food safety has been posted and room for communication with the consumers has been envisaged in terms of asking questions on the part of the consumers to which certain people from the Food Directorate will respond.

State Sanitary and Health Inspectorate needs administrative strengthening by new employments (14 persons) in 2009 in order to implement the planned activities.

Pursuant to the Law on Protection of Patients' Rights, at the Ministry of Health, a Unit for Protection of Patients' Rights is being established.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

Regarding horizontal issues on a medium-term a Law Amending the Law on Consumer Protection has been foreseen in order to harmonise it with the Directive 32005L0029, which relates to unfair commercial practices. The Law is planned to be adopted in the second half of 2010.

Implementation of the activities from the Programme for Consumer Protection for the period 2009-2010 has also been envisaged. Drafting of the Programme for Consumer Protection for the period 2011-2012 is being planned and it shall be enacted by the end of 2010.

Harmonisation with Directive 32002L0065 concerning the distance marketing of consumer financial services shall be completed by June 2010. The adoption of a legal act on distance financial service is envisaged and its provisions would enter into force upon EU accession. With 2008 NPAA the Act was planned to be adopted in the first half of 2009, however, the activity was postponed due to the review of the Directive on Distance Marketing of Consumer Financial Services which is under way.

INSTITUTIONAL FRAMEWORK

Regarding the inter-ministerial cooperation in relation to the implementation of consumer policies, on a medium term, activities shall be undertaken in respect administration strengthening of the competent institutions.

The administrative capacity of Unit for Consumer Protection within the Ministry of Economy's shall be strengthened with 1 new employment.

Several employments have been foreseen in the State Market Inspectorate.

Administrative capacity of the Unit for Banking System within the Sector for Financial System (MF), responsible for implementation of the legislation on financial service provision, shall be strengthened by employing 2 persons in 2010.

Strengthening of the Unit for Consumer Protection within the Food Directorate with new staff members has been foreseen.

State Sanitary and Health Inspectorate needs to strengthen its administrative capacity by new employments of inspectors, 13 persons for 2009 and 10 persons for 2011.

Strengthening of the administrative capacity of the Unit for Protection of Patient Rights within the Ministry of Health's shall continue.

FOREIGN SUPPORT

a) Current

In the framework of the German Association for Technical Collaboration (GTZ) – Open Regional Fund for Southeast Europe, representatives of both governmental institutions and non-governmental organisations for consumer protection from the Republic of Macedonia in 2007 and 2008 took part in two Regional Conferences entitled "Strengthening of the Consumer Protection through Establishment of Consistent Consumer Policy in Southeast European Countries" and in four Regional Meetings on the following topics: "Strategic Planning – Lobbying Techniques and Communications with the Media"; "Consumers Acquis", "Food Safety and Consumer Protection" and "Financial Services and Patients' Rights".

Under TAIEX Instrument - Section for EU Institution Building in cooperation with DG Health and Consumers, representatives of both governmental institutions and non-governmental organisations for consumer protection from the Republic of Macedonia in 2008, in Sofia, Republic of Bulgaria, participated in the Regional Conference entitled "Market Protection and Enhancement of Consumers' Rights in the Global World". The EU Commissioner for Consumer Protection also attended the conference in Sofia, Republic of Bulgaria.

b) Short-term

In 2009 within the framework of the German Association for Technical Collaboration (GTZ) – Open Regional Fund for Southeast Europe, a regional project will be implemented: Legal Reform for Harmonisation of the Legal Framework on Consumer Protection and Building a Network of Institutions for Consumer Protection in the Region. This Programme will support the competent government institutions and non-governmental organisations for consumer protection in the region to the end of enhancing the quality of consumer protection legislation, increasing the level of information for citizens in the area of consumer protection, a higher level of consumer protection according to the European Union standards, establishing and strengthening a regional consumer protection network and a more efficient market of goods and services in the region.

Necessary Technical Assistance

According to the EC indications regarding greater financial resources for the purpose of full implementation of the legislation, strategies and action plans, foreign assistance is needed for the amendments to the Law on Consumer Protection the transposition of the EU Directives, as well as implementation of the Programme on Consumer Protection in collaboration with the NGO sector (consumer protection associations).

Technical assistance for training for the inspectors of the State Sanitary and Health Inspectorate in the area of good production practice for cosmetic products production is also needed.

3.28.2 PUBLIC HEALTH CURRENT SITUATION

In the area of public health, the Ministry of Health is continuing with the implementation of the already started process of health facility reconstruction, equipment modernisation, IT investments and electronic health card introduction.

By means of a loan from the Italian Government EUR 3.2 million have been provided for hospital equipment procurement, and the first phase of the tender for medical equipment procurement is being realised amounting to EUR 10 million, by which laboratory equipment and modern x-ray diagnostics for the health facilities in the Republic of Macedonia is being provided.

In order to improve accessibility of health facilities to health care users, project documents to build 18 health facilities – outpatient clinics in remote rural areas where there have not been health facilities up to now, are under preparation.

Financial support for annual health care programmes remains high on the agenda in the interest of strengthening the public health segment.

The State Sanitary and Health Inspectorate has been strengthened with two people, vehicles and technical IT equipment have been procured as well.

LEGAL FRAMEWORK

In the past period activities have been undertaken in completing the legal framework for the purpose of harmonisation of the legislation in respect of public health.

A Law on Protection of Patients' Rights (Official Gazette of the Republic of Macedonia No 82/08) and a Rulebook on the form and content of the Consent Statement Form, as well as of the Refusal Statement regarding certain medical interventions have been adopted (Official Gazette of RM No 136/08), by which the legislation is harmonised with the relevant international documents.

Activities has also been undertaken for enacting of the Law on Health Data, which will represent legal base for reforms of the health data provision system.

Activities have been initiated for drafting a Law on Public Health through which the Republic Institute for Health Protection will be transformed into an Institute for Public Health and a contact facility for communication with the European Centre for Infectious Diseases, coordination of the International Health Rulebook application, health records system management, Regional Development Centre for Public Health Care Systems of Southeast Europe and management and coordination of the public health system in Macedonia, which covers 10 public health centres (to date Institutes for Health Protection).

Finalisation and adoption of the Health Strategy of RM for the period until 2020 is being planned, which shall be based on the WHO Strategy "Health for All in the 21st Century."

TOBACCO

A Law Amending the Law on Protection against Smoking (Official Gazette of RM No 103/08, 140/08) has been enacted, which introduces a total ban of smoking at all public places as of 1 January 2010, high fines are being introduced for non-abiding, by which harmonisation with the EU Measure 32003L0033 is performed regarding advertising and sponsorships of tobacco products.

COMMUNICABLE DISEASES

Several bylaws have been adopted arising from the Law on Population Protection against Communicable Diseases (Official Gazette of RM No 66/04, 139/08): Rules of Procedure on health examinations of people placed under medical observation in order to prevent communicable diseases, by which types of health and hygienic examinations of people working in facilities for production and trade of food, educational and health facilities shall be identified (Official Gazette of RM No 152/07), Rules of Procedure on the conditions and manner of transport of deceased persons, as well as exhumation and transport of deceased persons (Official Gazette of RM No 26/08), Rules of Procedure on closer criteria for prevention and suppression of intra-hospital infections (Official Gazette of RM No 25/08).

Implementation of the fifteen 2008 Preventative Programmes is continuously being carried out.

The 2008 ALERT system for reporting of communicable diseases operates across the whole country. Once a week, all the primary health care doctors supply data to the Institutes for Health Protection which on their part summarize and process the data and deliver them to the RIHP, which prepares a country-wide report.

The National Strategy for Tuberculosis Control in the Republic of Macedonia for the period 2007-2011 has been passed.

An expert team from WHO and ECDC carried out an assessment of the country's preparedness for a coordinated response in a possible influenza pandemics. According to the assessment, greater inter-ministerial coordination with the other agencies involved in the plan activities, implementation of a simulation exercise and provision of greater medicine reserves have been recommended.

SAFETY OF BLOOD, ORGANS AND TISSUES

A Law on Bio-medically Assisted Fertilisation has been enacted (Official Gazette of RM No 37/08), through which the EU Measure 32004L0023 has been transposed and clear legal and medical frames for bio-medically assisted fertilization (BAF) have been set, as well as the Rules of Procedure on closer conditions regarding space, technical staff and equipment for implementation of BAF procedure (Official Gazette of RM No 63/08).

Activities have been undertaken on enacting by-laws arising from the Law on Safety in Blood Supply. A Project on Blood Safety has been prepared which will be financed from IPA funds.

The preparation of the Law on Ratification of Convention on Bio-Ethics with the two Complementary Protocols relating to the ban on human cloning and transplantation of tissues and organs with human origin is in its final stage.

NON-COMMUNICABLE DISEASES

In the area of non-communicable diseases the first version of the Non-communicable Diseases Strategy whose goal is to reduce early mortality and significantly decrease morbidity due to non-communicable diseases (especially cardio-vascular diseases, malignant neoplasm, diabetes, injuries and violence, mental disorders, oral health, chronic obstructive lung diseases etc.) has been drafted.

The public health campaign "Outwit cancer, be a healthy woman" on early cervix cancer and breast cancer detection is under implementation.

In the area of addictions:

1. Drugs: The new Law on Narcotics and Psychotropic Substances (Official Gazette of RM No 103/08) establishes stronger controlling mechanisms in the respective area. The practice of setting up and operating Addiction Centres is continuing according to the good EU practices on control and treatment of drug addicts. The Ministry of Health is carrying out activities for establishing a National Centre for Addictions in Skopje.

The National Strategy on HIV/AIDS for 2007-2011 as one of the measures of HIV infection prevention in most at risk groups envisages activities for expansion of the existing addiction centres network in which substitution treatment is applied for the purpose of reducing the harms from injection drug use.

In order to realise one of the goals of the National Drug Strategy of the Republic of Macedonia, that is drug demand reduction, specific measures for prevention; drug addict treatment; drug use harm reduction and drug users' treatment are foreseen in the social assistance system (see Chapter 24 – Fight against Drugs).

2. Alcohol Abuse: A Strategy on Alcohol Harm Reduction, which fully complies with the respective EU Strategy, has been adopted. In collaboration with the Ministry of Economy measures have been taken in order to limit the age and the time of retail sales of alcohol for the purpose of control and alcohol abuse reduction. Activities have started towards drafting an Action Plan on Special Measures directed to youth protection from alcohol abuse.

In the area of upgrading the mental health of the population, up to now, 7 Centres for Mental Health have been opened in the community and the possibility to open new ones is being considered. Investments are being made in promoting the status of mental health hospital care.

The first EU assessment mission at the Special Hospital Skopje in Skopje has passed without remarks regarding protection of rights of the mentally diseased persons'.

FOOD AND NUTRITION

In the area of food and nutrition, until 2008, the activities under the Action Plan for Food and Nutrition of the Republic of Macedonia for 2004 and 2008 were implemented.

The Ministry of Health is involved in the National Steering Committee for Implementation of the Strategy for Protection from Domestic Violence, and with the UN organisations an Agreement on a joint Implementation Programme of the Strategy has been signed. A Protocol for health workers on treatment for victims of domestic violence has been drafted.

INSTITUTIONAL FRAMEWORK

Public Health

Key institutions in the area of public health are the following:

- Ministry of Health – adoption and implementation of laws and bylaws, programmes etc.
- The State Sanitary and Health Inspectorate – monitoring their implementation of measures for prevention and elimination of communicable diseases; keeping health records; the Law on Health Protection; the Law on Patient Rights Protection etc.
- The Republic Institute for Health Protection-Skopje and 10 Regional Institutes for Health Protection;
- The State Institute for Transfusion Medicine – responsible for blood safety and quality standards, as well as regarding safety in collection, testing, processing, maintenance and distribution of human blood.
- Psychiatric Hospitals, General Hospitals; Services for prevention and treatment of drug Abuse; Mental Health Centres; University Clinics and Institutes – Skopje etc.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

PUBLIC HEALTH

TOBACCO

An Action Plan on control and prevention of smoking in youth will be drafted.

Within the Ministry of Health an assessment of the possibilities to introduce pictorial warnings using the EU photo-gallery is being performed.

Communicable Diseases

The completion of the process and finalisation of the legislation on communicable diseases is planned to be carried out by the adoption of the remaining bylaws arising from the Law, as well as its amendments in order to complement the list of communicable diseases which are subject to compulsory reporting and in order to establish legal framework on the obligation for mandatory syndrome reporting pursuant to EWRN (ALERT) Project. The amendments of the Law will enable implementation of the EU Measures 31998D2119, 32000D0057, 32000D0096 and 32004R0851.

In the regular 2009 immunisation calendar, the HPV vaccine will be compulsory for 12-year old girls.

Free of charge vaccination against seasonal influenza shall be provided for people over 65 years of age and children of up to 18 years of age who have reduced immunity (chronic patients).

The intensive collaboration with the European Centre for Prevention and Control of Communicable Diseases shall continue. In accordance with the field assessment by UNICEF and WHO experts, and the recommendations in their report, the equipment for provision of "Cold Chain" shall be changed.

A multi-year immunization plan (supported by a UNICEF expert) shall be drafted and the education of the health workers by the immunization services shall continue.

Procurement of software for electronic recording of immunization services is also being planned.

Continuous implementation of the Preventative Annual Programmes' activities (Immunization Programme, Brucellosis Programme, Tuberculosis Programme, AIDS, Preventive Health) will be performed.

Non-Communicable Diseases

In the area of non-communicable diseases, a Strategy on Non-communicable Diseases is planned to be adopted and preparation of specific programmes and Action Plans for implementation (Programme for Prevention of Cardio-vascular Diseases, Programme for colon cancer screening etc.) is to be commenced.

The implementation of the annual Programme for covering the costs for patients treated with dialysis will be performed continually, for providing medicines for patients with transplants, cytostatic medicines, insulin, growth hormone and treating the patients with haemophilia; the Annual Programme for early detection and prevention of female reproductive organs diseases and the Programme for health care for people with mental disorders, as well as the Programme for active health protection for mothers and children in the Republic of Macedonia within the frames of which thyroid screening on newborns is also performed, Health for All, systematic check-ups, uninsured people, the Programme for early detection, diagnosis and treatment of breast cancer in the Republic of Macedonia.

A Strategy on Promotion of Sexual and Reproductive Health is also planned to be adopted.

An Action Plan on Special Measures for Protection from Alcohol Abuse in Youth shall also be drafted.

Implementation of the Strategy for Domestic Violence Prevention and the Strategy for Road Safety (Section Health Care) will commence.

In order to deal with the effects of climatic change an Action Plan on Dealing with Heat Effects on Health is planned to be developed.

Safety of Blood, Human Tissues and Cells

The adoption of bylaws arising from the Law on Safe Blood Supply is planned.

It is expected to start an analysis of the existing situation in order to commence the process of transformation of the healthcare system regarding the services of transfusiology under the Law on Safe Blood Supply (Establishment of a National Blood Facility, a network of three regional centres and regional units).

Addiction Diseases

The implementation of the 2008-2012 National Strategy for diminishing harmful effects of Alcohol abuse on population's health will continue by adoption of an AP on Prevention of Harmful Effects from Alcohol Consumption in Youth. Also, the implementation of activities provided by the 2007-2011 National HIV/AIDS Strategy will continue, as well as the activities from the Annual Programme of Health Care for Addiction Disease Patients in RM.

Food and Nutrition

The second Action Plan on Food and Nutrition of the Republic of Macedonia for the 2009-2013 period, covering the activities for monitoring the population nutritive status, particularly in vulnerable groups, undertaking activities for reduction of micro-nutritive deficit, improving nutrition quality in order to reduce morbidity and mortality from non-communicable diseases is planned to be drafted.

INSTITUTIONAL FRAMEWORK

The initiated reform processes and the extent of the obligations undertaken require strengthening of the capacities of the Sector for European Integrations (IPA Unit), of the Sector for Normative and Legal Affairs and the Sector for Strategic Planning, Policy-making and Monitoring.

For the purpose of modernisation of the RIHP, capacity strengthening is planned, above all, within the Sector for Social Medicine, and an International Cooperation Unit will be formed.

It is also necessary to strengthen the staff of the State Sanitary and Health Inspectorate with 14 inspectors for 2009, as well as their continuous education in the areas for whose supervision they are authorised.

Communicable Diseases

With the amendments to the Systematisation at the MH, the Sector for Primary and Preventive Health Care has been transformed into a Sector for Preventive Health Care with two Units: Unit for Communicable Diseases and Epidemics Control and Unit for Non-communicable Diseases, Environment and Health Promotion. Staffing of both Units is planned.

Capacity strengthening of RIHP in the Epidemiology and Microbiology Sector is planned with 3 epidemiologists.

Addiction Diseases

It is necessary to strengthen the staff in 7 Centres for treatment of addiction diseases for their successful operation (at least one doctor each, two nurses and psychologist and social worker each).

Non-Communicable Diseases

A study on the impact on population's health of the measures applied against alcohol abuse is planned to be carried out..

A new institution - Centre for Mental Health – out of the existing Psychiatric Hospital Skopje in Skopje, has been envisaged for establishment. By the establishment of this Centre deinstitutionalisation and re-socialisation of persons with mental health problems will be achieved. The Centre for Mental Health will be established as a public health facility taking care of patients based on a regional principle. The existing human resources shall be used for the establishment of this Centre. Additional training is needed on work with persons with mental health problems underlining the involvement of the local community.

3 new Centres for Mental Health have been foreseen to be opened - with regional access to other regions in the country - which will result from the remaining Psychiatric Hospitals in the country and Psychiatric Wards at General Hospitals. By the establishment of these Centres deinstitutionalisation and re-socialisation of persons with mental health problems will be achieved. It is also necessary to fully equip the Centres with one psychologist and work therapist each.

For the implementation and management of the initiated reforms in the in-patient hospital sector it is necessary to strengthen the staff of the Sector for Secondary and Hospital Health Care at the MH, as well as of the Republic Institute for Health Protection, with social medicine specialist or Public Health MA holders.

Implementation of activities which will be identified by the specific programmes and action plans of the Strategy on Non-communicable Diseases is also planned.

MID-TERM PRIORITIES

LEGAL FRAMEWORK

On a short-term, continuous work will be done on harmonising the national legislation with the EU legislation by the adoption of bylaws of the Law on Health Data.

Also, Annual Programmes arising from the Law on Health Protection, the 2005-2012 National Strategy on Mental Health Promotion in the Republic of Macedonia, the National HIV/AIDS Strategy and the National Strategy on diminishing the Harmful Effects from Alcohol Addiction on Population's Health in RM (2008-2012) will be implemented in the future.

Preparation of a Strategy on Palliative Care regulating the issues related to the improvement of senior persons' care and cancer patients is planned.

Implementation of a study on the impact on population's health of the measures against alcohol abuse applied up until then is planned in 2010.

INSTITUTIONAL FRAMEWORK

Within the State Sanitary and Health Inspectorate, establishment of a Unit for Consumer and Protection of Patients' Rights is envisaged, as well as its staff strengthening with 13 inspectors for 2010 and 10 inspectors for 2011, and also their continuous training in the areas for whose supervision they are authorised.

Communicable Diseases

Staff strengthening of the Sector for Preventive Health Care with two persons in each 2010 and 2011 is planned, as well as of the Republic Institute for Health Protection with 3 persons in each 2010 and 2011.

Addiction Diseases

With a view of the anticipated need to increase the number of centres for treatment of addiction diseases, as well as in order to provide proper functioning of the centres in two shifts, their staffing needs to be strengthened with 17 people in 2010 and 12 people in 2011.

Non-Communicable Diseases

As part of the activities of Mental Health Strategy implementation, 7 new institutions - Centres for Mental Health - have been foreseen to be opened, which will result from the remaining Psychiatric Hospitals in the country and Psychiatric Wards at General Hospitals. In order to fully equip them it is necessary to provide new employments of 3 persons in each of the newly established centres.

For the implementation and management of the reforms in the hospital sector it is necessary to strengthen the staff of the Sector for Secondary and Hospital Health Care at the Ministry of Health with 4 more persons in the course of 2010 and 2011.

Staff strengthening of the Sector for Social Medicine at the Republic Institute for Health Protection with 2 persons in each 2010 and 2011 is planned.

Safety of Blood, Human Tissues and Cells

The adoption of bylaws arising from the Law on Safe Blood Supply is planned.

The process of transformation of the healthcare system regarding the services of transfusiology under the Law on Safe Blood Supply (Establishment of a National Blood Facility, a network of three regional centres and regional units) will continue. According to the needs identified in the analysis carried out, staff capacity of the National Blood Facility will be strengthened.

It is expected to start the activities for implementation of the Blood Safety Project financed from IPA funds.

3.29 CUSTOMS UNION

3.29.1 CUSTOMS LEGISLATION

CURRENT SITUATION

LEGAL FRAMEWORK

In January 2008, the amendments to the Customs Law were adopted and entered into force (Official Gazette of the Republic of Macedonia No. 04/08, dated 10 January 2008). Pursuant to the aforementioned amendments, conditions have been established for withdrawal of the customs licences issued before, the approvals for representation, the adoption and annulment or repealing of decisions in the field of customs and at the same time harmonisation with certain provisions of the European legislation, as well as introduction of the concept of authorised economic operator. The amendments provide harmonisation of the misdemeanour provisions with the Law on Misdemeanours whereby the Customs Administration in January 2008 became in charge of imposing mandatory fines for committed customs misdemeanours. The clear and detailed management of the conditions for adoption of decisions, as well as their annulment or repealing and defining the concept of a higher risk person enables elimination of the discretionary rights of the customs authorities. The introduction of the concept of authorised economic operator is to the end of harmonisation of the national legislation with the *Acquis Communautaire*, i.e. harmonisation with the amendments to the Customs Law of the European Union 648/2005.

The Government of the Republic of Macedonia adopted a Decree Amending the Decree on the closer criteria and the manner of implementation of exemption from paying import duties, as well as the values, quantities and type or purpose of goods that may be exempt from paying import duties (Official Gazette of the Republic of Macedonia No.64/2008). The amendments to the Decree will exempt the domestic passengers from paying customs duties, when coming back from abroad for objects of non-commercial nature in the amount of EUR 175 in counter-value in denar instead of the previous EUR 45. The amendments to the Decree are applied since 30 May 2008.

In order to provide a uniformed application of the activities and the procedures applied by the customs officers in the process of implementation of the customs procedure, the Customs Administration in the course of 2008 adopted the following significant instructions:

- Instruction on keeping, training and using customs dogs for detection of drugs, psychotropic substances and precursors, establishing the rules for keeping, training and using the customs dogs for detection of drugs, psychotropic substances and precursors;
- Instruction for working with informants, establishing the measures for safe work with the persons providing information (informants) and their protection, as well as the standard approach to their identification, preparation and management, in order to provide constant flow of high quality information, as well as the procedures for gathering and keeping information from the informants and the conditions for providing compensation;
- Instruction on the manner of acting with temporary detained, confiscated goods and goods yielded to the state, establishing the manner of acting with temporary and permanently confiscated goods and goods yielded to the state, their registering, storing and keeping, transferring, sales and allocation of the funds from the sales, as well as the competencies and the responsibilities;
- Instruction on application of the Law on Money Laundering Prevention and other Criminal Proceeds and Terrorist Financing, establishing the manner of registering of the import and export of cash and securities over the customs borderline of the Republic of Macedonia;
- Instruction on the manner of issuance and surrender of personal armament and ammunition from a warehouse, as well as keeping thereof and operation of the armament and ammunition warehouse;
- Instruction on implementation of the customs procedure in the international postal traffic;
- Instruction on the manner of taking and examining samples, establishing the manner of taking samples, the treatment of samples and their delivery to the analysis, examination of the samples, treatment of the samples taken after the analysis and determining examination costs;
- Instruction for operation of the Unit for Coordination and Communication (UCC), establishing the manner of operation of UCC that works 24 hours a day, 7 days a week (24/7), and whose main duty is information reception, practical analysis, evaluation and processing thereof, providing logistic support to the customs employees working on the field and in the customs offices;
- Instruction on conducting selective controls in the customs operations prescribing the selective access, based on risk analysis, during the customs controls on the part of the organisational units at the Customs Administration of the Republic of Macedonia, by using risk management techniques;
- The objectives of the risk management are efficient and effective selection of the customs deliveries with higher risk possibility of non-compliance with the legal regulations and directing the available resources towards these deliveries, and on the other hand enabling free flow of the trade with no risk, with minimum necessary stay. To that end, an Instruction was adopted on

setting and monitoring minimum quantitative objectives for prevention of illegal trade and for facilitation of the trade, and on basis thereof quantitative targets have been set for each customs offices in 2009.

Pursuant to the Law Amending the Law on Customs Administration (published in the Official Gazette of the Republic of Macedonia No. 103/08 dated 18 August 2008) the Customs Administration was enabled to take over the management, regulation and maintenance of the facilities on the border crossings for road traffic, thus reducing the costs and providing better conditions for the economic operators and the passengers.

The Customs Administration supervises the export and import from/into the Republic of Macedonia of the effective local and foreign currency, cheques and monetary gold which are exported/imported by residents and non-residents from/into the Republic of Macedonia, or are being posted. In July 2008, amendments to the Law on Foreign Exchange Operations were adopted, related to the amount of the fine incurred for committed foreign exchange misdemeanour, supervisory customs authority, competent body for administering and imposing misdemeanour sanctions as well as the expiry date of the misdemeanour procedure. For the misdemeanours referred to in Article 56 (a) paragraph 1 items 22 and 28, the administering of misdemeanour procedure and imposing of misdemeanour sanction was taken over by the Customs Administration, i.e. the Misdemeanour Commission within the Customs Administration.

To the end of harmonisation of the Law on Money Laundering Prevention and other Criminal Proceeds and Terrorist Financing, the Government of the Republic of Macedonia adopted amendments to the Decision on the conditions and the amount of the effective foreign currencies and cheques that may be brought in or out from the Republic of Macedonia. The Decision regulates the conditions for import/export of effective foreign currency for the residents and non-residents, i.e. it regulates free import and export of effective foreign currency and cheques in the amount to EUR10,000, instead of the previous EUR 2,000. With the amendments, i.e. the increase of the amount, many misdemeanour cases of ill-informed non-residents entering in and leaving the Republic of Macedonia, and which do not result from illegal economic activities or money laundering will be avoided.

In terms of trade facilitation, the Customs Administration as a responsible authority for implementation of the Project of the Government of the Republic of Macedonia, for establishing a one-stop-shop system for issuing import-export licences and quotas, has successfully coordinated the implementation of this significant project, which includes systematic connection of 16 institutions involved in the process of issuing import-export licences and customs quota distribution. This project represents a significant progress in the implementation of paperless customs operations. In November 2008, the Decree on establishing and manner of utilisation of the information one-stop-shop system for electronic data processing and the use of electronic signature for import, export and transit of goods, came into force (Official Gazette of the Republic of Macedonia No. 134/08). Within the frames of its preparation, the Customs Administration in cooperation with the partners who support and implement the project, set up the one-stop-shop information system EXIM in due time.

A Rulebook was adopted amending the Rulebook on the type and amount of the customs fees for rendered services during customs procedure (Official Gazette of the Republic of Macedonia No.107, dated 29 August 2008), which starting from 1 January 2009 abolished the fees for customs escort and for storage in customs warehouses. The application of the aforementioned amendments will significantly reduce the costs of transporters and importers of certain types of excise goods since no fees will be paid for customs escort as of 1 January 2009.

After obtaining the status of a monitoring country in the Joint Committee and the working committees of the Convention on a Common Transit Procedure, the representatives of the Customs Administration were actively involved in the operations of the committees.

On the basis of the amendments to the Law on Excises (Official Gazette of the Republic of Macedonia No. 88, dated 16 July 2008), the Customs Administration amended the Instruction on application of the Law on Excises in customs operations. The amendments to the Law on Excises provide exemption from payment of excise on foreign donated motor vehicles, intended for the state authorities, the municipalities, the city of Skopje, the municipalities within the city of Skopje and the public institutions, as well as on hybrid motor vehicles (a combination of petrol engine and electric motor).

In September, the Assembly of the Republic of Macedonia adopted a Law on Ratification of the Protocol to the Stabilisation and Association Agreement between the Republic of Macedonia, on the one hand, and the European Communities and their Member States, on the other, in order to take into consideration the accession of the Republic of Bulgaria and the Republic of Romania into the European Union (Official Gazette of the Republic of Macedonia No. 119/2008, dated 19 September 2008). This will create conditions for commencement of the process of implementation of diagonal cumulation of origin enabled with the Agreement.

In Ankara, on 11 November 2008, the Director of the Customs Administration of the Republic of Macedonia and the General Director of the Foreign Trade Sub-secretariat of the Republic of Turkey signed the amendments to Protocol 2 from the Free Trade

Agreement between the Republic of Macedonia and the Republic of Turkey. These amendments enable the European Union and the countries included in the stabilisation and association process with the European Union to join as partners for cumulation of origin with Macedonia and Turkey.

The Government of the Republic of Macedonia adopted a Decree Amending the Decree on applying the Regulations of the European Commission on classifying certain goods in the Combined Nomenclature (Official Gazette of the Republic of Macedonia No. 84/2008, dated 11 July 2008), thus enabling transposition of the European regulations and further harmonisation of the Macedonian legislation with the EU *Acquis*.

Pursuant to the Law on Customs Tariff, the Government of the Republic of Macedonia adopted a Decision on harmonisation and alteration of the customs tariff for 2009 (Official Gazette of the Republic of Macedonia No.146/2008, dated 25 November 2008) in accordance with the obligations arising from the accession of the Republic of Macedonia to the World Trade Organisation and is amended in accordance with the amendments to the EU Combined Nomenclature.

The Customs Administration notified the World Customs Organisation of the acceptance of the following five recommendations, which at the same time are part of the EU *Acquis*.

- Council Recommendation on customs cooperation for customs requirements for commercial invoices,
- Council Recommendation on customs cooperation related to the customs procedure for registered load, transported by railway,
- Council Recommendation on customs cooperation related to the technical cooperation in customs-related matters,
- Council Recommendation on customs cooperation related to preparation of goods declarations using a computer and other automatic printers,
- Council Recommendation on customs cooperation related to the usage of coded marks for representing data elements and its four Annexes: Annex 2 "Marking of containers", Annex 6 "Identification of goods and tariff numbers", Annex 7 "Customs procedures" and Annex 8 "Unit measures"

In July 2008, the Law on Ratification of the Council Recommendation for Customs Cooperation in relation to the amendments to the Convention establishing the Council for Customs Cooperation was adopted, which resulted in acceptance of the European Communities membership application, as a customs union which has made considerable progress, in the World Customs Organisation.

To the end of harmonisation of the national legislation with the *acquis*, as well as to the end of accepting the instruments of the World Customs Organisation in terms of trade facilitation, a Law on Ratification of the Protocol Amending the International Convention on Simplification and Harmonisation of Customs Procedures (revised Kyoto Convention) was adopted (Official Gazette of the Republic of Macedonia No.165/2008). The implementation of the principles of the Kyoto Convention will achieve significant and measurable results that will result from the improvement of the effectiveness and efficiency of the Customs Administration and its function in the flow of goods across the borders. This will enable the Customs Administration to meet the requirements of international trade for providing a certain balance between its functions related to control and collection of income on the one hand and trade facilitation on the other hand. Providing standard and simple procedures, harmonised through all customs services, will contribute to facilitation and development of international trade.

In December, a Law Amending the Law on Customs Tariff (Official Gazette of the Republic of Macedonia No. 160, dated 23 December 2008) was adopted, which enters into force on the day of its publication, and will apply from 1 January 2009.

The Customs Tariff, which is part of the Law on Customs Tariff (Official Gazette of the Republic of Macedonia No. 23/03 and 69/04, 10/2008 and 160/2008) is harmonised with the undertaken obligations arising from the accession of the Republic of Macedonia to the World Trade Organisation and the amendments of the European Union Combined Nomenclature.

Also, in accordance with the Programme of the Government of the Republic of Macedonia regarding the reduction of the customs duties for raw materials for the industry and agriculture, the Law on Customs Tariff has been amended in the part of MFN20[1] customs duties in 498 tariff paragraphs.

Furthermore, the Customs Tariff has provided insertion of certain subheadings on national level, in accordance with the Recommendation of the Customs Co-operation Council on the insertion in national statistical nomenclatures of subheadings in order to facilitate the collection and dissemination of data on the international movement of substances controlled by the Amendments to the Montreal Protocol on Substances that Deplete the Ozone Layer (1 July 2006).

In order to facilitate the customs procedure for the customs employees as well as for the other participants in international trade, the Customs Administration prepared a Guidebook for customs clearance of goods 2009, where apart from the MFN customs

duties, preferential duties have been incorporated as well, in accordance with the Free Trade Agreements, VAT, excise and the prescribed non-tariff measures.

INSTITUTIONAL FRAMEWORK

The Customs Administration of the Republic of Macedonia is competent for application of the Law on Customs Administration, the Law on Customs Tariff and other laws regulating the export, import and transit of goods, as well as for performing other activities regulated by other laws.

In 2008, the activities for further strengthening of the institutional capacities were highly intensified, especially in the part of facilitation and cost reduction of transport and trade, achieving measurable results in the fight against corruption and illegal trade, as well as protection of intellectual property rights.

The Customs Administration commenced activities for implementation of the Standards Framework for facilitation and safety of international trade, of the World Customs Organisation, as a platform for improving the customs service capacity to detect and to deal with high risk deliveries and the increase of its efficiency for implementing the goods clearance and putting goods in free circulation.

According to the Standards Framework WCO, in addition to introducing the authorised economic operator and the application of modern technology for load control, which will enable high degree of efficiency of the customs service at the load control and acceleration of the flow of goods, the activities have also been intensified on establishing a modern information and communication system.

By activating the four mobile x-ray scanners for control of large size containers and vehicles on the border crossings, high standards were established for acceleration and facilitation of the circulation of goods, fast and quality control of the freight motor vehicles with regard to the content and the type of goods which is being transported, detection of illicit trade and smuggling of illegal and excise goods. The application of sophisticated equipment, which does not violate the load integrity, contributes to the increase of the collection of the import duties, protection of import and transit of illegal goods, flow acceleration, border protection, safety of the citizens and better and more efficient prevention and suppression of cross-border crime, customs fraud and corruption.

The priorities in strengthening the ICT capacities are globally defined through the ICT strategy adopted by the Customs Administration.

One of the priorities of the Customs Administration of the Republic of Macedonia is introduction of the New Computer System of the Customs Administration – AIDA, which will fulfil the functional and technical requirements regarding the interoperability and interconnections with the European customs systems.

The commitments of the Customs Administration were also confirmed through the conclusions of the IT awareness mission of DG TAXUD, realised in May 2007. The Decision related to the setting up (implementation) of a system for processing the customs declarations was mentioned as the basic priority in regard to the processes of interconnection with the European systems.

On 23 January 2009, in Skopje, the Director of the Customs Administration and the Director of the Financial Office – on the behalf of the Italian Customs Administration (leader of the Consortium ITA@MAC – project implementer), signed an Agreement on public procurement of a System for Processing Customs Declarations (SPCD).

The signing of the Agreement and implementation of the new customs software are part of the process of modernisation of the customs operations as well as realisation of the commitments for creating conditions for acceleration of the flow of goods, fulfilment of high information and telecommunication standards and creating possibilities for connection with the European Commission and the Member States of the European Union. Through the realisation of the project in cooperation with the Italian Customs Administration and the partners in the Consortium ITA@MAC from the Republic of Italy and from the Republic of Macedonia in the following 16 months, the Customs Administration will significantly improve its efficiency and will make a contribution towards better economic environment and business operations. The system prepared according to the latest standards of the European Union, enables creating a basis for further adoption and implementation of the EU customs legislation, but it is also introducing higher standards in the automatic processing of customs documents.

The training and the professional qualification of the customs officers is implemented according to the Strategy for Training and Professional Qualification of Customs Officers, as well as the Training Programme for 2008, enabling continuous familiarisation of the employees with the novelties in the customs area and introducing the newly employed customs officers into the customs operations.

For more efficient implementation of the strategic objectives for prevention of corruption, the Customs Administration in accordance with the Strategy for Integrity and Fight against Corruption in the Customs Administration (harmonised with the objectives of the Arusha Declaration), in August 2008 adopted a new Action Plan for Prevention of Corruption in the Customs Administration of the Republic of Macedonia. The objective is to improve the system for prevention and suppression of corruption within the Customs Administration. It was prepared in accordance with the recommendations of the State Programme for Prevention and Repression of Corruption dated 2007, the legal provisions and the regulation effective at the Customs Administration of the Republic of Macedonia, as well as the legal provisions and principles following the international conventions.

Within the frames of its commitments for fight against corruption, the Customs Administration of the Republic of Macedonia is the first institution, which on 27 November 2008 took over the questionnaires of its employees from the State Commission for Prevention of Corruption. The Customs Administration, pursuant to Article 33 paragraph 4 of the Law on Prevention of Corruption, took over a total of 812 questionnaires for financial standing, submitted on the behalf of the customs officers on 30 March 2005, under which the obligation for collecting, recording and keeping the questionnaires of the authorised officials falls on the authority where they work. The implementation of this obligation is envisaged in the Action Plan of the Customs Administration for 2008, as well as in the Employment Agreement where it is stated that the customs officers are bound to submit new questionnaires each time they are promoted.

Activities are underway for establishing electronic records for the data from the questionnaires with strictly restricted access. The newly established records for the data from the questionnaires will contain data for all (1130) employees in the Customs Administration.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

In the course of 2009, the activities of the Customs Administration of the Republic of Macedonia will be concentrated on further harmonisation of the legislation and strengthening of the administrative capacity for implementation of the customs legislation and fight against cross-border crime.

Amendments will be made to the Customs Law that will determine the conditions for use, that is, implementation of the electronic customs declaration in order to use the possibility of electronic submission of customs declaration within the frames of the new System for Processing Customs Declarations – SPCD.

The changes in the information and communication technology in the Customs Administration are related to drafting amendments to the customs regulations necessary for harmonisation of the transit procedure, with intention to be implemented within the frames of IPA 2007.

The protection of intellectual property rights will be supported by new provisions in the *Law on Customs Measures for Protection of Intellectual Property Rights*, with regard to revoking the requirements for undertaking customs activities due to non-fulfilment of the obligations by the right holder/representative and regarding the compensation of expenses for storage and destruction of counterfeited goods. The change will be accompanied by adequate amendments to the Rulebook on implementation of the *Law on Customs Measures for Protection of Intellectual Property Rights*.

Within the frames of the one-stop-shop system, the possibility of extension of the services provided in this system will be revised, to the end of introducing new documents for submission via this electronic system.

INSTITUTIONAL FRAMEWORK

Taking into consideration the importance of the excise duties for financial stability of the country, the harmonisation with the EU legislation, the method of collection and the similarity with the collection and control of the excise duties with the customs duties, the collection of the excise duties in the EU Member States on the whole territory of the states is conducted by the customs services. Strategic objectives and Action Plan for transferring competences for collection of excise duty from the Customs Administration throughout the whole territory of the Republic of Macedonia will be developed, in order to enable the Customs Administration to manage the whole system for collection of excise duty properly and efficiently throughout the whole territory of the Republic of Macedonia.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

With regard to the transit, amendments will be prepared for the Customs Law, applicable on the day of the accession of the Republic of Macedonia in the Convention on a Common Transit Procedure, signed in Interlaken in May 1987. The harmonisation of the Macedonian customs legislation with the Convention will be subject to control and monitoring, organised on the behalf of the depository of the Convention (EU Commission). The aforementioned draft amendments are to be presented by the Customs

Administration in front of the monitoring missions sent in the Republic of Macedonia by the Depository of the Convention (EU Commission) and the common EU and EFTA committees for a general transit procedure.

The activities for amending the legislation and information structure for smooth implementation of the New Common Transit System will be realised within the frames of the IPA programme 2008, by using technical assistance for managing the implementation of the New Computer Transit System - NCTS through the *"Project for Support to the Implementation of the Strategy for Customs Reforms"*.

Within the frames of the Instrument for Pre-Accession Assistance – IPA 2009, technical assistance for managing the implementation of the Integrated Tariff Environment through the implementation of the *Project for Introduction of Integrated Tariff Environment - ITE* will be provided. The implementation of the Project will enable legal harmonisation in relation to the Integrated Tariff Concept of the Community – TARIC (31987R2658).

The Customs Administration will continue implementing a large number of analyses of the provisions of the European legislation which is directly applicable on the EU Member States in the area of customs, but which leaves the possibility for the Member States to decide on individual cases which are relevant for implementation and supervision of the system.

These provisions are related in particular to: rules of origin of goods – adoption of the rules for non-preferential origin of the goods and the rules applicable in the European Union in terms of the occupied territories and rules for application of GSP, special rules and documents applicable for the customs goods circulating among the Member States; special rules for exchanging different types of information for implementation of the customs regulations among the Member States, or among the Member States and the Commission; special rules which are part of the implementation of the Common Agricultural Policy.

Prior to the European Union accession, a network of bilateral agreements for mutual assistance and cooperation will have to be separately verified, especially regarding the transfer of competences from the national to the European institutions.

INSTITUTIONAL FRAMEWORK

The Customs Administration will implement its progress in terms of strengthening its institutional capacities via further monitoring and adoption of European standards and the *Acquis*, best practise of the EU Member States and relevant international regulations and standards.

3.29.2 ADMINISTRATIVE AND OPERATIONAL CAPACITY

CURRENT SITUATION

LEGAL FRAMEWORK

The strategy for development of the Customs Administration of the Republic of Macedonia for the period 2008 – 2010 and Action Plan for 2008 were revised at the end of 2007. The priorities of the Customs Administration of the Republic of Macedonia have become five strategic objectives:

- Legal framework – harmonisation with the European legislation
- Efficient collection of import duties and implementation of measures in trade policy
- Protection of the citizens and fight against organised crime
- Effective application of ICT technologies
- Modernisation of the customs service and strengthening the cooperation.

To the end of increasing the efficiency and improving the institutional capacity of the Customs Administration of the Republic of Macedonia, the renowned consulting company, Crown Agents, was engaged in 2008 whose consulting experts cooperate directly with their partners in the Customs Administration in five major areas: a) introducing/conducting controls, risk-based systems and procedures, as primary basis of the customs activities, b) development of investigation functions and intelligence within the Customs Administration and management on the basis of risk analysis, c) providing long-term operational support of the control and investigation units in detection of illicit trade, smuggling and commercial crime, d) development and promotion of effective inter-institutional cooperation in the country and abroad, and e) development and effective implementation of anti-corruption strategy.

To the end of strengthening the institutional capacities, providing border safety, as well as the constant activities aimed at suppression of crime in the country and in the region, in 2008 the 4 (four) x-ray systems for controlling vehicles with large dimensions and containers were put into operation, which accelerates the flow of goods and the efficiency of the customs procedure.

On 23 January 2009, in Skopje, the Director of the Customs Administration and the Director of the Financial Office – on the behalf of the Italian Customs Administration (leader of the Consortium ITA@MAC – project implementer), signed an Agreement on public procurement of a System for Processing Customs Declarations (SPCD).

The signing of the Agreement and implementation of the new customs software are part of the process of modernisation of the customs operations as well as realisation of the commitments for creating conditions for acceleration of the flow of goods, fulfilment of high information and telecommunications standards and creating possibilities for connection with the European Commission and the Member States of the European Union.

Efforts have been made to enable safe exchange of information between the customs services, between the customs and the adequate state institutions and between the customs and the economic operators via the use of information and communications technology.

The Customs Administration of the Republic of Macedonia guided by the good practises of the EU Member States, acquired during the period of their preparation for EU membership, established private partnership between the new laboratory of the Customs Administration and the Faculty of Natural Science and Mathematics. The cooperation is to the end of mutual use of the resources for performing analyses for customs needs and providing uniform and unambiguous classification of the goods according to the customs tariff.

Within the frames of the partnership with the business community, the Customs Administration worked constantly in the field of simplification of the customs procedures. For facilitation of the customs procedures on certain border crossings in accordance with the available spatial and technical conditions, implementation of import and export procedure is enabled within a period of 24 hours.

In the course of 2008, a Centralised System for Video Monitoring was installed on all border and internal offices. The system monitors the work of the customs officers, the flow of vehicles and passengers. It consists of 240 high quality cameras accessed by the Sector for Control and Investigation and the SPR.

Apart from the video monitoring system, an Automatic Number Plate Recognition System (ANPR) was installed on 132 lanes on the border and internal customs offices. The system enables electronic monitoring of the vehicles involved in the customs procedure without human intervention, which controls the completion of the transit procedures and fast detection of registration plates of vehicles circulating the customs offices.

As of July 2008 all border offices have been connected with the IT System of the Customs Administration. In terms of strengthening the institutional capacities software application MIS (Management Information System) has been further promoted.

INSTITUTIONAL FRAMEWORK

The Customs Administration undertakes specific activities with respect to selection, procurement and implementation of Software for processing Customs Declarations and installing a new ICT system. Priorities and standards focused, above all, towards the EU systems are: (National setup) – high quality software solutions that support the bases of nation-wide customs operations by fully accepting the EU legislation and the EU standards in the ICT operations, as well as a compatible e-government solution.

(Setup according to the EU systems) – Such setup of national configuration and system should be fully and directly focused on the EU systems.

With respect to the National System, it is envisaged to engage consultants for preparation of the necessary documentation, describing the necessary user and technical setup of the System for Processing Customs Declarations.

Regarding the interconnections with the EU systems, under IPA 2007, IPA 2008 and IPA 2009, the ITC component was prepared by preparing NTCS and ITE projects, as well as drafting ICT strategic documents and, above all, IIS strategy (implementation and interoperability). Training is also envisaged regarding TEMPO methodology, as well as realisation of adequate organisational changes within the sector (Help Desk and project management).

SHORT-TERM PRIORITIES

It is of prime importance to establish the new customs ICT system which via the use of modern technology will be able to exchange information electronically and to provide connection with trade. In accordance with the strategic plan for the period 2008-2010 the activities in terms of increasing the administrative capacity will be strengthened, to the end of application of the customs legislation and preparation of the country for EU membership. To that end, activities will be undertaken for adoption of the *Acquis Communautaire*, approximation of the national legislation towards the EU legislation and building capacities for efficient control on the external borders.

The Customs Administration, in the process of capacity building, intensively applies the Revised Customs Blueprints (Customs Blueprints) of the European Commission drafted in 2007, as guidelines, to the end of fulfilment of the European standards of the operation of the customs services.

The application of the Customs Blueprints is to the end of improving the operational capacities of the customs office, by establishing measurable standards for each position achieved in the customs.

At the same time they are benchmarks for measuring the shortcomings in the administrative capacity, and the further improvements. Blueprints represent a common standard for the EU Member States and for candidate countries, and are of particular significance for the Customs Administration in coordinating and determining the need for EU assistance.

The Customs Administration commenced activities for implementation of the Standard Frame for facilitation and safety of international trade, of the World Customs Organisation, as a platform for improving the Customs Administration capacity to detect and to deal with high risk deliveries and the increase of its efficiency for implementing the goods clearance and putting goods in free circulation.

In order to provide stable implementation of the Frame, the International Customs Community has agreed to a phase approach. The Frame will be implemented on different levels in accordance with the capacity of the administration and the legal authorisation. In order to support this process the SCO will try to help the Customs Administration in determining their needs for strengthening the capacities and will suggest possible solutions. These initiatives for building the capacities will be implemented by taking into consideration the customs integrity and development of adequate training.

The implementation of ISO 9001:2000 standard – Quality Management System, is closely related to the business planning and the needs of the users of the services under the jurisdiction of the Customs Administration. The fulfilment of the conditions of ISO 9001 is an ongoing process in the Customs Administration which needs to have its completion with certification on the part of the accreditation body. A process which commenced independently, since it is comprised of activities realised on behalf of the Customs Administration within the scope of its operations: establishes procedures that cover the major processes in the area of customs operations; control processes for ensuring efficiency, storing necessary data; improving the services by correction activities where necessary; regular control over separate processes and creating conditions for constant progress.

The Customs Administration in 2009 will continue the intensified activities for fight against illegal trade and smuggling goods, thus emphasising the use of the available supervision equipment and its upgrading.

Promotion of the concept of authorised economic operator and its introduction in equal cooperation with the business community for its proper implementation.

INSTITUTIONAL FRAMEWORK

In 2009 the establishing of the new system for processing customs declarations is one of the priorities of the Customs Administration of the Republic of Macedonia in accordance with the commitment for providing high-quality computer support for processing the import, export and transit customs declarations and in accordance with the functional and technical requirements in relation to the European integration processes referring to the interoperations and interconnections with the European customs systems.

The Customs Administration will continue with the activities for improvement of the risk management system and will work on introduction of operation criteria and standards and efficient data exchange. The process for selecting different profiles is expected to be automated by introducing the system for centralised electronic administration of all operational activities in the Customs Administration for the purposes of risk analysis, statistics and intelligence.

Plans are to be developed for promotion of the capacity for implementation of post clearance audits that will reduce the customs controls.

The Customs Administration will reform the training system and will adjust it to the new requirements and needs by applying modern methods and technologies that will provide greater efficiency and better educational results, as well as cost-effectiveness of the process (electronic and distance learning). The whole implementation of the electronic learning system (e-learning) and access by a larger number of users is to be achieved by end-2009. Via the Customs Administration website, all employees in the Customs Administration will have access to the platform, and target groups with appointed instructors will be formed, for the purpose of proper implementation of the programmes.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

The contemporary methods for clearance of goods, with the process of introducing simplifications and transfer towards paperless operations, require additional efforts and activities from the Customs Office for efficient collection of duties and implementation of

the trade policy measures. To that end, introduction of a new EU compatible system for processing customs declarations; introduction of Integrated Community Tariff Database (TARIC); strengthening the monitoring mechanisms via application of the introduced video monitoring on the border crossings and internal customs offices; introduction of system for excise collection on the whole territory of the Republic of Macedonia, promotion of risk management systems, modernisation of the border crossings to the end of better implementation of integrated border management and promotion of cooperation with the other state institutions and inspection services, have been envisaged.

From ICT point of view, complete interconnection with the EU systems (CCN/CSI and NCTS) and continuation of the procedures for interconnection with the other EU systems, has been envisaged on a short-term basis. At the same time, during the process of constant adaptation of the ICT Strategy, the Customs Administration will make the following commitments: accepting the priorities regarding the new European systems, Automated Import System (AIS), Automated Export System (AES), Control System for management and control of excise on community level (ECMS), as well as providing legal and technical pre-conditions with respect to safety of the ICT system, support of paperless solutions, implementation of electronic data exchange, setup of a risk management system, above all, defined with the Regulation 32005R0648.

The Customs Administration in cooperation with the Faculty of Economics – Skopje at the Ss. Cyril and Methodius University and the World Customs Organisation, work on establishing a Regional Training Centre, not only for the customs officers from the member states of CEFTA 2006, but for the wider business community as well. Introduction of specialisation studies and seminars for the customs officers, as well as common participation in development projects have been envisaged.

INSTITUTIONAL FRAMEWORK

The Customs Administration will continue its analyses of the provisions of the European legislation which is directly applicable for the EU Member States in the area of customs, but which leaves the possibility for the Member States to decide on individual cases which are relevant for implementation and supervision of the system.

These provisions, in particular, relate to: rules of origin of goods – adoption of the rules for non-preferential origin of the goods and the rules applicable in the European Union in terms of the occupied territories and rules for application of GSP, special rules and documents applicable for the customs goods circulating among the Member States; special rules for exchange of different types of information for implementation of the customs regulations among the Member States, or among the Member States and the Commission; special rules which are part of the implementation of the Common Agricultural Policy.

Prior to the European Union accession, a network of bilateral agreements for mutual assistance and cooperation will have to be separately verified, especially regarding the transfer of competences from the national to the European institutions.

The Customs Administration will establish a system for early electronic notification upon arrival of goods in the customs area, as well as an efficient system for electronic communications among the border customs offices and between the border and internal customs offices.

FOREIGN SUPPORT

The Customs Administration of the Republic of Macedonia participates in activities for foreign operational and technical assistance in the area of trainings for the employees, as well as in the area of improvement of the technical equipment of the Administration.

The programme for technical cooperation with the Customs Administration of the Kingdom of the Netherlands is envisaged by end-2009 in the amount of EUR 200,000 and regards the following areas: import for the purpose of inward processing, control of approval holders for customs procedure with economic effect, control of import of dual-use applicability goods, protection of rights to intellectual property, customs value and preferential origin of goods.

Technical assistance is being realised for preparation of use and technical specification for the System for Processing Customs Declarations with the means provided from the CARDS Programme of the European Union, in the second and third quarter of 2008. Following the drafted specification, the Customs Administration realised an international tender for procurement of a new computer system which has to substitute the existing one. The implementation of this system will commence in 2009.

Within the frames of the IPA Programme 2007, in the course of 2008 a procedure was undertaken for tendering and evaluation of the submitted proposals for realisation of the technical assistance within this programme. At the beginning of 2009, the implementation of technical assistance is expected to commence. Within the frames of the *“Project for Support to the Implementation of the Strategy for Customs Reforms”* within a period of 18 months, 3 sub-projects (components) have been included: (1) Harmonisation of the customs legislation of the Republic of Macedonia with the EU legislation, (2) Strengthening the border controls – strengthening the capacities for fight against fraud, corruption and drug smuggling, and (3) IT systems upgrading.

Within the frames of the approved financial means from the funds of the IPA Programme 2008, in the course of 2010 the *“Project for Support to the Implementation of the Strategy for Customs Reforms”* will be realised, that would last 18 months. The project contains 3 sub-components: (1) Support to the management for introduction of the New Computerised Transit System - NCTS; (2) Introduction of NCTS through two sub-components (Improvement of the national transit application and software development); (3) Introduction of a Common Communication Network and Common System Interface - CCN/CSI.

Taking into account the commenced activities for support of the reforms and modernisation of the customs operations through the instrument for pre-accession assistance of the European Union – IPA, the Customs Administration drafted a project fiche within IPA 2009, for strengthening the capacities of the Customs Administration through the support of the implementation of Integrated Tariff Environment (ITE). The implementation of the project will enable harmonisation and fulfilment of the requirements for Integrated Tariff Concept of the Community – TARIC, European Binding Tariff Information – EBDI, quotas, supervision, European Customs Inventory of Chemical Substances – ECICS, Community Integrated Tariff Environment. Within the frames of this Project, that would last 18 months, 3 components have been envisaged: (1) Support in managing the Project for introduction of Integrated Tariff Environment – ITE; (2) Development of Integrated Tariff Environment, and (3) Procurement of the necessary equipment.

In the course of 2009, a Programme for cooperation concerning European issues will be realised between the Government of the Republic of Macedonia and the Government of the Republic of Slovenia in order to increase the operational capacities. The mutual cooperation with the Customs of the Republic of Slovenia will enable exchange of experiences on expert level and trainings will be realised in various domains of customs operations.

After the completion of the first phase of the introduction of the *“One-stop shop system for licences for import, export and transit of goods and tariff quotas – EXIM”*, during 2009 with the assistance of the projects of the USA Aid Agency (USAID), it is expected for the activities for introduction of new functional possibilities to continue and the offer of services to increase.

In the course of 2009, the Customs Administration will commence to use technical assistance by participating in the EU Customs 2013 programme. The participation in this programme through common activities in the area of customs operations between the Customs Administration of the Republic of Macedonia and the EU customs offices, will contribute towards improvement of the operational capacities of the Customs Administration.

3.30 EXTERNAL RELATIONS

3.30.1 COMMON COMMERCIAL POLICY

CURRENT SITUATION

LEGAL FRAMEWORK

The Republic of Macedonia in 2008 continued implementing the commercial policy in accordance with the obligations determined within the World Trade Organisation (WTO), the Stabilisation and Association Agreement, the CEFTA Agreement 2006, as well as other free trade agreements.

The Republic of Macedonia continued to implement the Agreement on Amendment of and Accession to the Central European Free Trade Agreement – CEFTA 2006. In 2008, a meeting of the CEFTA Joint Committee 2008 was held, at which the Ministerial Conclusions including the resume on the activities of the three CEFTA Subcommittees 2006 were adopted. It was concluded in the documents that cooperation and liberalisation should be further intensified in terms of the trade between the signatory countries pursuant to the provisions of the Agreement.

The text of the Protocol 2 – definition of the concept of “originating products” and the methods of administrative procedure in accordance with the Free Trade Agreement between the Republic of Macedonia and the Republic of Turkey- was revised in order to initiate a diagonal cumulation of origin.

An analysis on trade exchange between the Republic of Macedonia and the Mediterranean countries is prepared in order to initiate negotiations for signing a Free Trade Agreement with a Mediterranean country, within the possibilities offered by the Pan-European-Mediterranean cumulation of origin.

Each year the Government of the Republic of Macedonia harmonises the rates of duty within the Customs Tariff in accordance with the obligations assumed under the Law on Ratification of the Protocol on the Accession of the Republic of Macedonia to the World Trade Organisation (Official Gazette of the Republic of Macedonia, No 07/2003). In this regard, the Law on Customs Tariff was amended (Official Gazette of the Republic of Macedonia, No 160/2008).

On the basis of the Law on Control of Export of Dual-Use Goods and Technology (Official Gazette of the Republic of Macedonia, No 82/05 and 84/07) in November 2008 a Decision establishing a List of Dual-use Goods and Technologies was adopted (Official Gazette of the Republic of Macedonia, No 148/08). The List of Dual-use Goods and Technologies is completely taken over from the Council Regulation (EC) 1334/2000, Annex 1, setting up a regime for the control of exports of dual-use items and technology.

In 2008, a Decision on the Distribution of Import/Export Goods was adopted (Official Gazette of the Republic of Macedonia, No 167/08), harmonising the Common Military List with the amendments of the European Union Common Military List for equipment encompassed with the European Union Code of Conduct on Arms Exports, adopted by the Council on 19 March 2007.

INSTITUTIONAL FRAMEWORK

The Ministry of Economy – Sector for International Trade Cooperation, the Ministry of Finance, the Macedonian Bank for Development Promotion and Customs Administration of the Republic of Macedonia are responsible for creation and implementation of the trade policy.

SHORT-TERM PRIORITIES

Within the current round of multilateral trade negotiations in the World Trade Organisation – the Doha Development Agenda, the Republic of Macedonia will commit for and will support the positions recognizing a more convenient status for the Members that have recently joined the WTO. Furthermore, as an EU candidate country, Republic of Macedonia will continue to harmonise its positions with the European Union concerning areas with ongoing negotiations.

The Republic of Macedonia will continue with the implementation of CEFTA 2006 and the implementation of the Free Trade Agreements with EFTA, Turkey and Ukraine. Furthermore, it is foreseen to start the negotiations for conclusion of a Free Trade Agreement with a Mediterranean country, due to the possibilities offered by the Pan – European- Mediterranean cumulation of origin.

MEDIUM-TERM PRIORITIES

By 2010, the Law Establishing the Macedonian Bank for Development Promotion will be amended, with regard to harmonisation of the Bank's status and operation as a state development and export bank, in accordance with the *acquis*. Furthermore, by 2010

there will be a complete transposition of the Directive 31998L0029 and the Directive 31984L0568 in the national legislation, as well as a transposition of the Decisions 32001D0076 and 32001D0077 referring to the common principles and criteria of the EU Member States, in the field of the export insurance.

3.30.2 BILATERAL AGREEMENTS WITH THIRD COUNTRIES

CURRENT SITUATION

LEGAL FRAMEWORK

The Republic of Macedonia has signed a number of agreements on trade and economic cooperation with other countries, which should be aligned with the obligations arising from EU membership. In December 2008, the Agreement on Economic Cooperation was signed between the Government of the Republic of Macedonia and the Government of the Republic of Bulgaria.

The Republic of Macedonia has already concluded 31 bilateral agreements on promotion and reciprocal protection of investments, 28 of which have entered into force, and 3 agreements are pending another party' notification for the finalisation of the internal procedures in their countries. 16 of the total number of the agreements were concluded with EU Member States.

In the course of 2008, the Republic of Macedonia concluded the Agreement with Kuwait and the Protocol Amending the Agreement with Romania, whereas the agreements with Slovakia and the Sultanate of Oman were harmonised and initialled. In the second half of year 2008, the Agreement with India entered into force.

INSTITUTIONAL FRAMEWORK

The Sector for International Trade Cooperation within the Ministry of Economy and the Sector for Financial System within the Ministry of Finance are primarily responsible for the bilateral agreements with third countries.

SHORT-TERM PRIORITIES

In the course of 2009, Agreements on Economic Cooperation with Hungary, Romania and Croatia will be signed in accordance with the obligations arising from their EU membership and accession.

The Republic of Macedonia will continue its activities for analysing the agreements on trade and economic cooperation, for the purpose of harmonisation with the EU legislation. In that direction, determining a precise dynamics for harmonisation of the existing agreements with the EU legislation has been envisaged.

During 2009, harmonisation and initialisation of the bilateral agreements on promotion and reciprocal protection of investments between the Republic of Macedonia and the United Kingdom, Montenegro, Qatar and Lithuania have been envisaged.

3.30.3 DEVELOPMENT AND HUMANITARIAN AID

CURRENT SITUATION

In the course of 2008, no development aid of the Republic of Macedonia towards third countries was registered.

The Development and Humanitarian Aid Unit, within the Sector for Economic Multilateral Relations, Directorate for Economic Multilateral Relations within the Ministry of Foreign Affairs is responsible for monitoring the policy and policy-making in the part of the development and humanitarian aid.

MEDIUM-TERM PRIORITIES

In the part of the humanitarian aid, acceptance of the Regulation 31996R1257 concerning humanitarian aid has been envisaged.

Establishing an inter-ministerial body has been envisaged in order to find the most suitable institutional model for regulation of the part of the development aid. In that regard, adoption of a Law on Implementation of Development Policy has been envisaged, harmonised with the EU Regulations in this field. The Law will define clear criteria determining a narrower range of countries with which the Republic of Macedonia will establish long-term cooperation. In addition, a methodology for calculating of the provided aid will be determined, as well as introduction of a mechanism for unification of the data related to the allotted development aid. Furthermore, it is planned to establish cooperation with the nongovernmental sector and the other Member States or specialised agencies from the other countries in order to implement trilateral development projects.

Strengthening of the existing administrative capacities with new employments has been planned.

3.31 FOREIGN, SECURITY AND DEFENSE POLICY

3.31.1 ESDP

CURRENT SITUATION

LEGAL FRAMEWORK

The legal framework for participation of the Republic of Macedonia in ESDP is composed of the Law on Defence, the Law on Police, the Law on Assigning Officials to International Missions and International Organisations, as well as the following bylaws: An Inter-ministerial Commission's Rules of Procedure and a Rulebook on Assigning Officials to Short-term International Missions. Pursuant to this Law, an Inter-ministerial Commission for Implementation of the Policy on Assigning Officials of the Republic of Macedonia to International Missions and International Organisations has been set up.

Pursuant to the interest of the Republic of Macedonia, Agreement for Participation in the Community Civil Protection Mechanism and the Civil Protection Financial Instrument between the Republic of Macedonia and the European Community has been signed.

INSTITUTIONAL FRAMEWORK

In July 2008, the Republic of Macedonia completed its contribution by deploying helicopter units to the EU Altea military mission in Bosnia and Herzegovina following 4 rotations (July 2006-July 2008). The current contribution of the Republic of Macedonia to the EU Altea mission in Bosnia and Herzegovina consists of a medical team for ROLE 1 medical support in the Camp Butmir, one legal advisor assistant in the EUFOR Command in Bosnia and Herzegovina, and one non-commissioned officer for preventive medicine in the EUFOR Command, with a total participation of 12 persons.

The Republic of Macedonia took part in the EU crisis management exercise CME 08, based on the scenario supporting the demand for an arrangement of ESDP military operation (without using NATO facilities and capacities), as well as reconfiguration of the ESDP civilian mission (police mission with elements of the rule of law) as a result of growing threat.

The Republic of Macedonia was a host country of the Regional European Security and Defence Policy Conference (ESDP) held on 25-26 September 2008 in Ohrid.

The Republic of Macedonia expressed interest in participation in the EU Battlegroup Concept.

The Republic of Macedonia expressed interest in participation in the EU Police Mission in Afghanistan (EUPOL AFGHANISTAN), for which the GS/HR for EU CFSP was officially notified.

Regarding the Republic of Macedonia's participation in the development of EU civilian capacities for crisis management, a total of 51 persons have been declared in five areas: police 15, rule of law 16, public administration 8, civil protection 8 and monitoring 4.

An employee at the CFSP Unit within the Ministry of Foreign Affairs is in charge of monitoring the ESDP development and coordination of the Republic of Macedonia activities on this matter.

The ESDP Unit within the Ministry of Defence has been staffed with 2 employees.

The Republic of Macedonia participates in the ESDP Training Programme intended for the countries involved in the Stabilisation and Association process, with representatives from several institutions (the Assembly of the Republic of Macedonia, the Ministry of Foreign Affairs, the Ministry of Defence, the Ministry of Interior, the Secretariat for European Affairs, the Crisis Management Centre, the Institute for Defence and Peace Studies). The Programme was initiated by Austria, Germany, Slovenia and Hungary and covers the 2006/2007-2008/2009 periods.

The Ministry of Interior conducts continuous training for police officers for participation in civilian peace operations and is currently in disposal of 10 police officers with a UN certificate.

Activities for creating database of candidates for participation in missions leaded by EU, UN and NATO have been initiated.

Political dialogue

The Republic of Macedonia regularly participates in the informal meetings of the Ministers for defence in Troika format as well as in GAERC format, and in the meetings of the EU Military Committee.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

INSTITUTIONAL FRAMEWORK

In 2009, the Republic of Macedonia will continue its current contribution to the EU operation Althea in Bosnia and Herzegovina.

Pursuant to the interest of the Republic of Macedonia for participation in the EU Battlegroups Concept, it is planned to sign a Letter of Intent by the Ministers for Defence of Germany, Austria, Czech Republic, Ireland, Croatia and the Republic of Macedonia, as well as preparation and signing a Memorandum of Understanding between the EU Member States BG II/2012.

In 2009, the Republic of Macedonia, with its representatives will continue to participate in the third cycle of the ESDP Training Programme, intended for countries involved in the Stabilisation and Association Process.

The capacities of the Crisis Management Centre will be strengthened by new employments.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

Legal regulation concerning the participation of the Republic of Macedonia in EU BG II/2012 by adoption of a Decision by the Government/Assembly on the participation of the Republic of Macedonia in EU BG II/2012.

INSTITUTIONAL FRAMEWORK

Additional staffing of the ESDP Unit within the Ministry of Defence is expected to be completed by 2010.

Planning and preparation of the declared forces of the Republic of Macedonia for participation in EU BG II/2012.

3.31.2 CFSP

CURRENT SITUATION

LEGAL FRAMEWORK

The legal framework includes the Constitution of the Republic of Macedonia, the Law on Organisation and Operation of the State Administrative Bodies, the Law on Foreign Affairs, the Law on Defence, the Law on Classified Information, the Law on International Restrictive Measures, and etc.

INSTITUTIONAL FRAMEWORK

Staffing of the CFSP Unit being part of the Directorate for European Union within the Ministry of Foreign Affairs was completed with 4 employees and one head official of the unit. Both the European Union Law Unit within the Directorate for International Law and the Arms Control Unit within the Directorate for Multilateral Relations in the MFA have been staffed with one more executive officer. The Mission of the Republic of Macedonia in the EC in Brussels in 2008 has been strengthened with one diplomat solely engaged in following CFSP/ESDP activities.

A Sub-register of Classified Information has been established in the Ministry of Interior, in the Unit for EUROPOL within the Sector for International Police Cooperation.

The associative communication network for electronic exchange of classified information (ACN) to the level "internal" between the Republic of Macedonia and the EU has been installed in the MFA and the Mission of the Republic of Macedonia in the EC in Brussels.

In October 2008, EU joint inspection team, consisting of representatives of the Security Office of the General Secretariat of the Council, the INFOSEC Office of the General Secretariat of the Council of the European Union and of the European Commission, conducted an inspection of the work of the Directorate for Protection of Classified Information and presented a positive evaluation of the progress made since the previous inspection conducted in May 2006. In addition, progress has been established in other institutions having introduced Registry of Classified Information.

Political dialogue

The Republic of Macedonia maintains regular political dialogue with EU on bilateral basis (Stabilisation and Association Council, Stabilisation and Association Committee and Joint Parliamentary Committee) as well as on multilateral basis (Political Forum EU-West Balkans, participation in the informal meetings of the Ministers for Foreign Affairs of the EU Member States, participation in the EU meetings with the Mediterranean countries, issues of the UN Agenda, and etc.). The Republic of Macedonia continued to adhere to EU common positions, declarations and statements, whether they are based upon EU invitation or on a unilateral basis. They are published in the Official Gazette of the Republic of Macedonia.

In 2008, the practice for participation of the Republic of Macedonia in the EU regular consultations with candidate countries with regard to current issues of the United Nations Agenda has continued.

Cooperation with international organisations

The Republic of Macedonia is a member of the UN, OSCE, the Council of Europe and other international organisations and actively participates in the regional initiatives. former Minister for Foreign Affairs of the Republic of Macedonia and former Permanent Representative of the Republic of Macedonia to the UN in New York, was elected President of the UN 62nd General Assembly.

The Ambassador of the Republic of Macedonia in UN in Geneva Mr. Gjorgji Avramcev was elected Chairmen of the Biological Weapons Convention in 2008.

Control of armament (non-proliferation of weapons of mass destruction; export of conventional weapons; small firearms and light weapons; dual-use goods and technologies)

The Republic of Macedonia prepared the Third National Report on the EU Code of Conduct on Arms Export, as well as the Report on the implementation of the UN Action Plan for the Prevention, Fight and Eradication of the Illicit Trafficking of Light and Small Weapons in All Its Aspects and they were communicated to the European Commission and the Council of the European Union.

For the purpose of planning, monitoring and analysing the situation concerning the control of small firearms and light weapons and coordinating the activities of competent institutions in accordance with the National Strategy on Small Firearms and Light Weapons and the relevant Action Plan, the National Commission for Small Firearms and Light Weapons was established and began its regular operation.

Instruments for CFSP implementation (implementation of sanctions and restrictive measures)

The Republic of Macedonia regularly adheres to the Common Positions (CP) establishing restrictive measures and sanctions towards certain entities in third countries and implementing the obligations arising from the CP adoption. The implementation of the sanctions and the restrictive measures is realised by the competent ministries and institutions within their competences, and on the basis of the Law on International Restrictive Measures.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

The Republic of Macedonia shall continue its contribution to the promotion of the bilateral political dialogue with EU and to actively participate in the multilateral political dialogue with EU, within the framework of the Political Forum EU-Western Balkans. It shall continue with the alignment/acceptance of EU legal acts in the area of CFSP. The Republic of Macedonia shall continue its active engagement in the international organisations (UN, OSCE, the Council of Europe, and etc.), as the most efficient manner of protection of the world peace and security from the modern global threats – terrorism, proliferation of weapons of mass destruction, organised crime, environment pollution as well as dealing with economic and social problems and disrespect of human rights.

INSTITUTIONAL FRAMEWORK

For the purpose of successful cooperation with the EU structures in the area of CFSP, strengthening the required functions and mechanisms within the Ministry of Foreign Affairs has been foreseen, in particular:

- Further staffing and technical equipping of the Unit for Common Foreign and Security Policy;
- Further staffing and technical equipping of the Unit for Armament Control.

Establishment of electronic record keeping in the DCIP Registers and Sub-registers.

Installation of system for detection of unauthorised access within the perimeter of the DCIP security strap.

DCIP will continue training the employees handling classified information, in particular:

- Training on operating the software for recording issued security certificates and licences for access to classified information
- Training on operating the software for recording issued security certificates and licences for access to classified information

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

Adoption of a Rulebook on the approval form for import of weapons and European document on weapons.

INSTITUTIONAL FRAMEWORK

By the end of 2010, the necessary strengthening of the Unit for Common Foreign and Security Policy within the Ministry of Defence in terms of staff and technical equipment will be completed.

Continuous education for users of classified information in state and private institutions.

Commencement of the process of issuing security certificates to legal persons, as well as increasing the security level of communication between DCIP on one side and the registers in the Republic of Macedonia's Missions within the EU and NATO in Brussels and in the NATO Headquarters in Mons to strictly confidential.

3.32 FINANCIAL CONTROL

CURRENT SITUATION

The process of strengthening the financial control in the Republic of Macedonia has commenced and it is being conducted through development and application of the principles of decentralisation, management responsibility and through establishing functionally independent internal audit, i.e. development of all three components of public internal financial control: financial management and control, internal audit and their harmonisation. The purpose of this process is to design a system that will ensure reasonable utilisation of public resources.

Harmonisation with the requirements of the *acquis* regarding financial control implies the necessity of a global approach towards the development of modern systems for internal audit in the public sector, leading to consistent combination of the managerial responsibility and functionally independent internal audit. Therefore, activities are under way in the Ministry of Finance for implementation of a coherent legislation in the entire area of internal control, covering all important aspects of managerial responsibility, independent internal audit, central harmonisation of internal audit and financial management and control, as well as prevention of fraud.

3.32.1 PUBLIC INTERNAL FINANCIAL CONTROL AND EXTERNAL AUDIT

CURRENT SITUATION

LEGAL FRAMEWORK

The legal framework that regulates the system of public internal financial control and external audit in the Republic of Macedonia is as follows:

- Law on Public Internal Financial Control (Official Gazette of the Republic of Macedonia, No. 22/07);
- Law on Internal Audit in the Public Sector (Official Gazette of the Republic of Macedonia, No. 69/04 and 22/07);
- Rulebook on the basic elements of financial management and control and the standards of internal control in the public sector (Official Gazette of the Republic of Macedonia, No. 130/07);
- Rulebook on the form, the contents and the manner of submitting the statement on quality and the status of internal controls (Official Gazette of the Republic of Macedonia, No. 8/08);
- Rulebook on internal audit published on the website of the Ministry of Finance;
- Law on State Audit (Official Gazette of the Republic of Macedonia, No. 65/97, 70/01, 31/03, 19/04, 70/06 and 133/07);
- Programme for taking the exam for acquiring the title certified state auditor published on the website of the State Audit Office;
- Code of Ethics of INTOSAI – published on the website of the State Audit Office;
- Code of business ethics and conduct of the employees in the SAO;
- Memorandum on mutual cooperation between the SAO and the MF in the area of the system on financial management and control, internal audit in the public sector and state audit, 2006
- Memorandum on cooperation between the SAO and the IPA Audit Body, August 2007;
- Protocol for cooperation on prevention and repression of corruption and conflict of interests between 11 competent institutions in the Republic of Macedonia, December 2007.

The legal framework that regulates the system of public internal financial control and external audit in the Republic of Macedonia was supplemented in 2008 with the Rulebook on the form, the contents and the manner of submitting the statement on quality and the status of internal controls (Official Gazette of the Republic of Macedonia, No. 8/08).

SHORT-TERM PRIORITIES

The Ministry of Finance, within the Twinning project “Strengthening of the System of Public Internal Financial Control” in 2009, will prepare Strategy for development of the public internal financial control 2009 and 2010.

In 2009 a new Law on Public Internal Financial Control will be adopted, thus realising the recommendation of the European Commission on integrating the Law on Internal Audit in the Public Sector and the Law on Public Internal Financial Control.

By end-2009, the Law on Financial Inspection in the Public Sector will also be adopted.

1.1 FIANCIAL MANAGEMENT AND CONTROL

CURRENT SITUATION

LEGAL FRAMEWORK

The Law on Public Internal Financial Control, the Rulebook on the basic elements of financial management and control and the standards of internal control in the public sector, and the Rulebook on the form, the contents and the manner of submitting the

statement on quality and the status of internal controls, adopted on the basis of this Law, set up the legal framework of the financial management and control system.

The functioning of this system is also regulated in other laws and bylaws, among which the following are the most significant: Law on Budgets, Law on Execution of the Budget, Law on Financing the Local Self-Government Units, Law on Accountancy of the Budgets and Budget Beneficiaries, regulations on Treasury operations etc.

INSTITUTIONAL FRAMEWORK

The head official of an entity is responsible for establishment, implementation and development of sound financial management and control in the entity to the end of efficient, effective and cost-effective utilisation of the available resources.

Financial management and control in the Public Sector of the Republic of Macedonia is mainly realised by the sectors for legal and administrative affairs consisting of the accounting units with assigned responsible accountants conducting ex ante financial control and prepare and sign the financial statements of the public sector entities.

A Unit for Harmonisation of Financial Management and Control staffed with four employees has been established in the Sector for Public Financial Control.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

By end-2009, bylaws deriving from the new Law on Public Internal Financial Control will be adopted:

- Rulebook on the manner and the procedure for issuance of authorisation (mandate);
- Rulebook on the tasks under the competence of the unit for financial affairs within the entities;
- Rulebook on the standards for internal control in the public sector;
- Rulebook on the manner of conducting general financial processes for assuming financial obligations and payments; and
- Rulebook on financial management and control.

INSTITUTIONAL FRAMEWORK

Strengthening the institutional capacities in the Ministry of Finance

Strengthening the institutional capacities in the Ministry of Finance will be conducted by enhancing the capacities of the Unit for Harmonisation of Financial Management and Control by employing one person and establishing a Committee for Financial Management and Control as an advisory body of the Minister for Finance.

The administrative capacities of the Unit for Harmonisation of Financial Management and Control in 2009 will be enhanced by conducting training on improvement of the reporting skills and capacity building for carrying out training on financial management and control in the public sector.

Strengthening the institutional capacities in financial management and control in the public sector entities

Strengthening the institutional capacities for financial management and control in public sector entities will be conducted by establishing sectors/units for financial affairs among the budget beneficiaries in the field of the legislative, executive and judicial authorities, the funds and the municipalities and the City of Skopje (hereinafter referred to as entities), as well as by assignment of a head official responsible for financial management and control, coordinator for financial management and control, financial controllers and one employee for reporting of irregularities.

For strengthening the institutional capacities for financial management and control in the entities in 2009 an Action Plan for Establishing and Staffing of the Units for Financial Affairs will be realised as well as employment of 130 new employees in 65 entities.

FOREIGN ASSISTANCE

Strengthening the capacities for implementation of the system for financial management and control on central level will be realised through implementation of the Twinning project "Strengthening of the System of Public Internal Financial Control" which will be implemented by end-April 2009 within which trainings will be carried out for the heads of the units for financial affairs relating to the implementation of the new Law on Public Internal Financial Control.

The realisation of the MATRA – Project for Public Internal Financial Control will begin in second half of 2009, ending in 2010.

MEDIUM-TERM PRIORITIES

The number of employees in the Unit for Financial Management and Control in 2010 and 2011 will increase by one employee.

By end-2010, within the framework of IPA 2008, the realisation of the Twinning project for strengthening the system of public internal financial control on central and local level financed by the EU will begin, within which initial and advanced training on financial management and control and training on drafting plans for establishing financial management and control will be carried out.

1.2 INTERNAL AUDIT

CURRENT SITUATION

Internal audit operation in the public sector of in the Republic of Macedonia is performed by internal audit units established in the public sector entities on central and local level, while the harmonisation of the internal audit is performed by the Unit for Harmonisation of Internal Audit within the Sector for Public Internal Financial Control. The Unit for Harmonisation of Internal Audit is staffed with two employees, and the work post Head of the Unit is vacant.

Within the institutions on central level, 41 internal audit units have been established (in 15 ministries, 4 funds and 22 central governmental institutions), with assignment of 83 internal auditors, and 2 institutions have concluded agreements for performing internal audit by another internal audit unit.

On local level, in 33 local self-government units, 33 internal auditors have been assigned, as well as 13 agreements on internal audit services by another unit for internal audit have been concluded.

In the Ministry of Finance an independent Unit for Internal Audit of EU-IPA funds has been set up, in which two internal auditors from the Sector for PIFC responsible for internal audit service of the EU – IPA funds have been redeployed.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

By end-2009, the Law on Financial Inspection in the Public Sector and the following bylaws deriving from the new Law on Public Internal Financial Control will be adopted:

- Rulebook on the standards for professional internal audit service, the Internal Audit Charter and the Code of Ethics of Internal Auditors,
- Rulebook on the procedure for taking exam for internal auditor in the public sector,
- Rulebook on the manner of conducting internal audit,
- Rulebook on the form, content and manner of submitting the Annual Financial Report, and
- Rulebook on Internal Audit

INSTITUTIONAL FRAMEWORK

Strengthening the institutional capacities in the Ministry of Finance

In order to provide conditions for timely and efficient performance of the increased scope of activities for regulation, development and promotion of the internal audit in the public sector, the number of employees in the Unit for Harmonisation of Internal Audit in 2009 will be increased by 4 employees, one of which as a Head of the Unit.

The administrative capacities of the Unit for Harmonisation of Internal Audit in 2009 will be enhanced by conducting training on internal audit.

Strengthening the institutional capacities for internal audit in the public sector entities

Strengthening the internal audit in the Public Sector in the Republic of Macedonia in 2009 will be conducted by employment of 144 new internal auditors in 65 institutions²⁶ on central level, pursuant to the "Action Plan for Establishing and Staffing Units on Internal Audit on central level in 2009" approved by the Government of the Republic of Macedonia.

The Unit for Internal Audit of EU – IPA funds in 2009 will increase its staff with 4 employees..

By April 2009, within the framework of the Twinning project "Strengthening of the System of Public Internal Financial Control", in cooperation with the Twinning partner, the Ministry of Finance of the Kingdom of the Netherlands, specialised training on IT audit, audit of EU funds and training on preparation of audit reports, as well as training for trainers will be realised.

The realisation of the MATRA – Project for Public Internal Financial Control will commence in 2009, for duration of 18 months. Within the framework of this project an initial training for internal auditors on central level will be conducted.

The process of establishing internal audit units and conclusion of agreements for internal audit service in the municipalities will continue in 2009. In 2009, internal audit units will be established, or agreements on internal audit service by other units will be concluded in all municipalities which disposes with over MKD 50 million.

MEDIUM-TERM PRIORITIES

By end-2010, within the framework of IPA 2008, realisation of the Twinning project for strengthening the public internal financial control will begin on central and local level financed by the EU. Within the framework of the project, trainings will be realised and

²⁶In 61 first-line budget beneficiaries and 4 funds.

rulebooks will be drafted on financial audit, system audit, audit of the money value, and audit of the EU funds, as well as initial and advanced training for internal auditors on local level.

The Unit on Internal Audit of EU – IPA funds in 2010 and 2011 will increase its staff with 2 employees.

1.3 STATE (EXTERNAL) AUDIT

The State Audit Office (SAO) is the supreme audit institution (SAI), established under the Law on State Audit adopted in 1997 with the purpose to ensure legal, earmarked, economic, efficient and effective utilisation of public resources. The SAO conducts audits and prepares reports which are published on the website, and submits annual report on its operation and audits conducted to the Assembly of the Republic of Macedonia.

The operation of the State Audit Office is regulated by the Law on State Audit which is harmonised with the principles of the LIMA Declaration.

On the basis of the activities of the Twinning project with the Netherlands Court of Audit and the peer review performed of the operations by the German SAI, the State Audit Office continued the activities for improvement of the operational and financial independence and for ensuring quality of operations.

CURRENT SITUATION

In 2005, the realisation of the Twinning project for development of the SAO with the Netherlands Court of Audit commenced and was completed in September 2008. The Twinning programme is focused on improvement of the legal framework, organisation and administrative capacity of the SAO, as well as on strengthening audit skills and IT audit. In the meantime, activities are carried out for its continuation through the Netherlands Ministry of Foreign Affairs (MATRA Programme).

In order to use good EU practices, the State Audit Office in 2006/07 carried out simultaneous performance audit on a project financed with EU resources, together with the Supreme Audit Institutions (SAI) from the candidate countries and the potential candidate countries for EU membership, with the assistance of experts from SIGMA, the European Court of Auditors and the working group for joint audit activities heading the SAI in the United Kingdom. Upon the simultaneous audits conducted and national reports drafted, a consolidated report was prepared, indicating the experience acquired by the participants, the lessons - learned and the effects of the activity.

For the purpose of improving the implementation of recommendations in the SAO reports, in September 2007, under the amendments to the Rules of Procedure of the Government of the Republic of Macedonia (Official Gazette of the Republic of Macedonia No. 116/2007) an Audit Committee was established as a permanent professional body to review audit reports and the reports of other state administrative bodies regarding the measures taken to overcome the determined irregularities in the SAO audit reports. The Audit Committee files written reports to the Government with opinions and proposals on the measures taken regarding the findings in the audit reports, and the Secretary General of the Republic of Macedonia notifies the SAO on the conclusions of the Government on the measures taken by the entities. Furthermore, in order to strengthen the system for monitoring of the implementation of the SAO recommendations, a follow up audit will be conducted in 2008 in seven public sector entities.

In 2008 the following acts and methodological guidelines were adopted:

- Strategy for development of the SAO for the period 2008 – 2012, consisting of a Strategy for SAO human resources management and a Strategy for SAO communication for the relevant period;
 - Rulebook on the internal organisation and operation of the SAO and a Rulebook on the systematisation of work posts in SAO;
 - Several methodological guidelines: Guidelines on audit quality, Guidelines on the format of the report for follow up audit, proposals for Guidelines on new format of financial audit report, Guidelines on planning audits and Guidelines on determination of materiality;
 - Annual plan for professional education of state auditors; and
 - Procedure for management of invoices.
- Furthermore, in 2008 several initial and advanced trainings were realised for the employees of the SAO for IT audit, for writing audit reports.

SHORT-TERM PRIORITIES AND LEGAL FRAMEWORK

By end-2009, a new Law on State Audit will be adopted to ensure strengthening of the operational capacities and the operational and financial independence of the SAO in accordance with the recommendations of the LIMA Declaration, the Mexico Declaration of Independence, the Prague Declaration and the good practices of the EU Member States and the European Commission. This Law will ensure adequate professional development of state auditors and more efficient monitoring of the implementation of the recommendations in the audit reports.

In order to achieve full independence of the SAO, the Ministry of Finance in 2009 will prepare a proposal for initiating amendments to the Constitution of the Republic of Macedonia, with a view to defining the SAO as a constitutional category.

For the purpose of successful monitoring of the realisation of the recommendations of the SAO audit reports, in 2009, the Rules of Procedure of the Assembly of the Republic of Macedonia will be amended by means of the Committee on Financing and Budget reviewing and discussing all important SAO audit reports and drawing appropriate conclusions. In this way, cooperation with this Committee will be promoted. The realisation of the recommendations of the audit reports will also be enhanced by promoting the cooperation with the Audit Committee within the Government of the Republic of Macedonia.

A Unit for monitoring of the recommendations of the State Audit Office will be established for the needs of the Audit Committee in the General Secretariat of the Government of the Republic of Macedonia. In 2009, this Unit will be staffed with 3 employees.

STRENGTHENING THE INSTITUTIONAL CAPACITIES

Strengthening of the SAO institutional capacities will be provided through 30 new employments, 17 of which for the needs of the Audit Body, thus the number of auditors in the SAO will reach the number of 140 (104 out of which in the SAO and 36 in the Audit Body).

For the purpose of strengthening the SAO capacities in 2009 the following will be adopted:

- Detailed guidelines on conducting audit in separate areas/processes (wages, public procurement, ...);
- Introduction of function and instruments for ensuring quality, pursuant to the Guidelines on ensuring quality in conducting audit;
- Procedures for important processes, in order to strengthen the system of financial management and control in the SAO.

Furthermore, in 2009 new forms of audits will also be introduced (parallel audits, horizontal audits, IT audits, etc.)

In 2009 several training sessions will be carried out on different aspects of the state audit, as well as training on taking the exam for obtaining the title of certified state auditor.

FOREIGN ASSISTANCE

The cooperation with the Netherlands Court of Audit will continue in the period 2009-2010, within the Project for cooperation between the SAO and the Netherlands Court of Audit for strengthening the development of the SAO as a competent external auditor, supported by the MATRA Programme amounting to EUR 350,000.

SHORT-TERM PRIORITIES AND LEGAL FRAMEWORK

In the period 2010-2011, the Rulebook on Financial Audit and the Rulebook on Performance Audit, as well as other detailed methodological guidelines on performing state audit will be drafted.

STRENGTHENING THE INSTITUTIONAL CAPACITIES

In view of strengthening the operational and functional capacities of the SAO in the period 2010-2011, the number of employees will reach 160 persons (including the 39 employees with the Audit Authority), also including the following:

- Adoption of guidelines for preparing and implementing the Document Management System (DMS),
- Implementation of pilot audits for financial audit, performance audit and audit of IT systems in cooperation with the Netherlands Court of Audit;
- Training in performance audit, audit of IT systems and quality assurance;
- Enhancement of the cooperation with the Assembly of the Republic of Macedonia and the internal audit units in the public sector;
- Training in improving communication skills;
- Introduction of audit software for audit management;
- Development of the system for monitoring of the fulfilment of the recommendations;
- Development of an evaluation and promotion system for the employees in the SAO.

3.32.2 PROTECTION OF THE FINANCIAL INTERESTS OF THE EU

2.1 PROTECTION OF THE FINANCIAL INTERESTS OF THE EU

CURRENT SITUATION

LEGAL FRAMEWORK

Protection of the financial interests of the EU is regulated under the:

- Law on Public Internal Financial Control (Official Gazette of the Republic of Macedonia No. 22/07).
- Manual for Internal Procedures of the NAO, the National Fund (NF) and the Sector for Central Financing and Contracting (CFCD),
- Agreement on Implementation of the IPA Projects between the NAO/NF and the CFCD,
- Operational Agreements between the CFCD and the line ministries, and

- Memorandum for Cooperation between the NAO and the AFCOS.

Pursuant to the Law on Public Internal Financial Control all beneficiaries of EU funds are bound to provide the authorised persons from the Ministry of Finance, the inspectors from the European Commission and the European Court of Auditors, with free access to all the documentation, offices, resources and staff.

INSTITUTIONAL FRAMEWORK

In view of protecting the financial interests of the European Communities, the Ministry of Finance – the Financial Police Office will coordinate the activities for the needs of OLAF. The Anti-Fraud Coordination Service (AFCOS) within the Financial Police Office is the national contact point in the Republic of Macedonia, the role of which comprises assistance and support to OLAF²⁷ in the Member States regarding fraud prevention. The Anti-Fraud Coordination Service (AFCOS) will act as a coordination body, exchanging information with OLAF officers in the field of fraud prevention, corruption prevention, as well as prevention of any other illegal activities (irregularities).

Within its activities, the Anti-Fraud Coordination Service will be operationally independent, at the same time developing coordination activities by encouraging multidisciplinary character of the operations (ability to maintain inter-institutional cooperation).

The Anti-Fraud Coordination Service within the Financial Police Office employs 3 persons, one of which is at the position of head and the other two as inspectors with work experience in the field of irregularities/fraud prevention.

The National Authorising Officer (NAO), within the system of decentralised management with the EU funds has full responsibility to report on any irregularity or suspicion of irregularity which is subject to administrative and court proceedings related to the utilisation of the EU funds. Any institution beneficiary of EU funds has nominated an officer for irregularities, which is responsible for reporting on any irregularity to NAO. NAO summarises all reports on irregularities and forwards them to OLAF, the European Commission and the AFCPS (Anti-Fraud Coordination Service within the Financial Police Office).

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

The new Law on Public Internal Financial Control in the Public Sector will regulate the obligation of the managers with the entities in the public sector to prevent the risk of irregularities and frauds and to take actions against irregularities and frauds; to appoint irregularity officer who will receive reports on irregularities and fraud and will take independent actions for their prevention.

The internal auditors, the persons involved in financial management and control as well as other employees will be bound to simultaneously inform the manager of the entity and the irregularity officer on the suspected frauds or findings of irregularities.

The internal auditors, persons involved in financial management and control as well as other employees informing about any irregularity will be provided with protection of their identity and of the rights to employment pursuant to the national legislation.

The new Law on Public Internal Financial Control in the Public Sector will create a legal basis for adoption of a Decree on Prevention of Irregularities and Fraud, the manner of mutual cooperation, the forms, the deadlines and the manner of reporting irregularities by the Government of the Republic of Macedonia.

For the purpose of protecting the financial interests of the European Communities, the Financial Police Office within the Ministry of Finance will provide guidelines for the institutions for reporting the irregularities, whereby all information regarding irregularities, disclosed by the entities when using funds from the European Union or resources obtained from the European funds with state co-financing, will be submitted to the Financial Police Office -Anti-Fraud Coordination Service..

Thereby, the Anti-Fraud Coordination Service (AFCOS) will develop support by bodies and institutions outside its parent institution, which are directly or indirectly involved in the protection of the financial interest of the EU, at the same time proposing measures for strengthening the legislation and administrative surrounding in these activities.

INSTITUTIONAL FRAMEWORK

Due to the need of specific knowledge in the area of "protection of the EU financial interests", trainings will be conducted for strengthening the administrative capacities of the employees at the Anti-Fraud Coordination Service with the Financial Police Office. Additionally, working conditions will be improved (premises, telephone, fax, computer, e-mail and web sites), providing

²⁷ **OLAF** is a specialised administration of the European Commission in charge of preventing fraud. The OLAF mission is to protect the interest of the EU to fight fraud, corruption and any other illegal activities, including misconduct within the European Commission. Actions undertaken by OLAF are provided legal basis in Article 280 of the Treaty Establishing the European Community.

independent and smooth operations and complete security for all information (AFIS²⁸ system will be established.²⁹) available to the Service.

The Head of the Anti-Fraud Coordination Service within the Financial Police Office will be a member and engaged in the work of all government working groups to be established or already established and which are in charge of anti-corruption activities, financial control, communication and it will also attend the meetings of the working groups in charge of surveillance over EU financial assistance.

2.2 CONTROL OF EU FUNDS

CURRENT SITUATION

LEGAL FRAMEWORK

The legal framework regarding the control of the utilisation of EU funds in the Republic of Macedonia is regulated with the following:

- Law on Public Internal Financial Control (Official Gazette of the Republic of Macedonia No. 22/07);
- Law Amending the Law on State Audit (Official Gazette of the Republic of Macedonia, No. 133/07);
- Framework Agreement with the European Commission, defining the general conditions of cooperation between the country and the EU when managing EU funds, signed on 30 October 2007;
- Law on Establishment of Agency for Financial Support in Agriculture and Rural Development (Official Gazette of the Republic of Macedonia, No. 72/2007).

In November 2007, amendments to the Law on State Audit (Official Gazette of the Republic of Macedonia, No. 133/07) were adopted, pursuant to which an Audit Authority for EU pre-accession funds in the Republic of Macedonia was established in the SAO (hereinafter referred to as: Audit Authority). The Audit Authority is independent from the organisational forms of the State Audit Office, exercising cooperation with the SAO in line with the Memorandum of Understanding and Cooperation signed in August 2007.

The Audit Authority is operationally independent in the EU pre-accession funds management system in the Republic of Macedonia. It verifies the efficiency of the pre-accession fund management and control systems, as well as of the reliability of accounting data submitted to the European Commission, in line with the INTOSAI standards.

The Audit Authority adopts an Annual Operational Plan each year, being independent from the Annual Operational Plan of the SAO. The Annual Plan is submitted to the National Authorising Officer and to the European Commission by the end of the current year for the next year.

In March 2008, a Project on "Technical Assistance for Strengthening the Capacities of the Audit Authority" commenced, approved by the European Commission. Within the Project, the following documents will be prepared by end-2008:

- Audit Authority Development Strategy 2009-2011,
- Annual Audit Plan under IPA Components for 2009,
- IPA Audit Manual – General Part,
- IPA Audit Manuals under components (I-V),
- Workload analysis.

In the course of 2008, the Audit Authority had working and consultative meetings with the European Commission Directorates-General in Brussels responsible for implementation of the IPA in the Republic of Macedonia as well as with the representatives of the European Court of Auditors in Luxembourg with the purpose of strengthening the mutual cooperation in the area of European funds audit.

Furthermore, in 2008, several professional training sessions for the employees in the Audit Authority for the IPA funds audit were conducted.

SHORT-TERM PRIORITIES

The adoption of the new Law on State Audit will reinforce the functional and financial independence of the Audit Authority, as part of the system which will meet the requirements and recommendations of the Directorates-General for establishing an independent IPA audit body in the Republic of Macedonia.

In order to meet the principles of publicity and transparency in the operation and improve the information communication and exchange system, in 2009, the Audit Authority will conclude Memoranda of Cooperation with the structures of the decentralised management and control system of IPA funds.

In the course of 2009, the Audit Authority will realise the following activities for the purpose of obtaining positive assessment by the European Commission on its readiness to audit the IPA system in the Republic of Macedonia:

²⁹ AFIS is an organisation providing safety in electronic correspondence through the Common Communication Network (CCN).

- Strengthening the institutional capacities pursuant to the workload analysis,
- Providing adequate working conditions (premises, furniture and equipment), and
- Continuous education and professional advanced training of the employees for the IPA funds audit.

In 2009, the Audit Authority will continue its cooperation with the European Court of Auditors through participation of the former representatives in specialised trainings on IPA funds audit that will be conducted at the seat of the European Court of Auditors in Luxembourg.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

In the period 2010-2011, manuals on IPA audit will be reviewed and updated and other methodological guidelines on conducting audit under the competence of the Audit Authority will be prepared.

STRENGTHENING THE INSTITUTIONAL CAPACITIES

Strengthening of the institutional capacities of the Audit Authority within the State Audit Office in 2009, pursuant to the Workload Analysis, will be realised with 17 new employments whereby the number of auditors with the Audit Authority in 2009 will reach 36 auditors, i.e. 39 auditors in 2010.

2.3 PROTECTION OF THE EURO AGAINST COUNTERFEITING

LEGAL FRAMEWORK

- Legal framework for protection of the euro against counterfeiting in the Republic of Macedonia is set out under the following legal acts:
- Criminal Code of the Republic of Macedonia³⁰ (Official Gazette of the Republic of Macedonia, No. 37/96, 80/99, 4/02, 43/03, 19/04 and 85/05);
- Law on Criminal Procedure (Official Gazette of the Republic of Macedonia, No. 15/97, 44/02, 74/04 and 15/05);
- Law on Police (Official Gazette of the Republic of Macedonia, No. 114/06);
- Rulebook on the contents and the manner of keeping records of the police and the form and contents of the form for records of the police (Official Gazette of the Republic of Macedonia, No. 78/07), regulating the manner of keeping the registry of detected counterfeit money (euro and other foreign currencies);
- International Convention for Suppression of Counterfeiting Currency from 1929, ratified by the Republic of Macedonia in March 2005.
- Law on the National Bank of the Republic of Macedonia (Official Gazette of the Republic of Macedonia No. 03/02, 51/03, 85/03, 40/04, 61/05 and 129/06).
- Protection of the euro against counterfeiting in the Republic of Macedonia is carried out by the Ministry of Interior.

This protection is carried out in two departments within the Ministry of Interior: the Department for Organised Crime - Unit for Anti Money Laundering and Economic Organised Crime³¹ and the Forensic Department.

The Department for Organised Crime - Unit for Anti Money Laundering and Economic Organised Crime, as an integral part of the Public Security Bureau, is in charge of protection of the euro against counterfeiting.

FORENSIC DEPARTMENT

The Unit for Evaluation of Disputable Documents within the Forensic Department in the Ministry of Interior carries out forensics over counterfeit euro. It performs the following activities:

- Control of banknotes authenticity,
- Preparation of findings and opinions on non-authentic banknotes,
- Preparation of photo documentation of counterfeit banknotes, and
- Keeping a register of counterfeit banknotes at nominal value, serial number and number of the plate on which they are counterfeited.

³⁰ Money counterfeiting is regulated, and is punishable, pursuant to Chapter 25 of the Criminal Code as a criminal act against public finance, payment operations and the economy. Article 268 regulates that: "Whoever makes false money with an aim of bringing it into circulation as genuine, or whoever alters genuine money with an aim of bringing it into circulation, or whoever brings such counterfeited money into circulation, shall be punished by one and ten-year imprisonment". The same punishment is imposed to "whoever procures counterfeited money with an aim of bringing it into circulation as genuine". If such acts lead to deterioration of the economy in the country, the perpetrator shall be punished by at least five-year imprisonment, and whoever brings into circulation counterfeited money received by him as genuine, or who has knowledge of counterfeited money being made or brought into circulation, and fails to report it, shall be punished by a fine or three-year imprisonment. In all case, counterfeited money is seized.

³¹ The Department for Organised Crime is in charge of preventing criminal acts, detecting and catching organised crime – perpetrators of criminal acts and their handing over to the competent bodies.

SHORT-TERM PRIORITIES

In order to enhance the protection of the euro, the denar and other foreign currencies in the Republic of Macedonia against counterfeiting, as well as to harmonise with Council Decision of 6 December 2001 on the protection of the euro against counterfeiting (CELEX No. 32001D0887), the following activities will be undertaken:

Pursuant to the amendments to the Act of Systematisation of the Ministry of Interior, the Central Office for Counterfeit Money will be established as a single institution in the country in charge of detecting, providing evidence and documenting the criminal act of counterfeiting money, and registering and forensics of all kinds of counterfeit money (including euro).

In order to strengthen the staff capacities of the Central Office for Counterfeit Money within the Ministry of Interior, 5 new persons will respectively be employed in 2009.

Pursuant to the amendments to the Criminal Code in 2009, this Law will be harmonised with the Council Framework Decision (CELEX No. 32000F0383 of 29 May 2000), i.e. the penalty policy for this type of criminal act will be more restrictive.

3.33 FINANCIAL AND BUDGETARY PROVISIONS

CURRENT SITUATION

LEGAL FRAMEWORK

The public finance system is covered by the *Law on Budgets* and the amendments to the Law that regulate the objectives, principles, planning and execution as well as the Budget structure, which are fully harmonised with the principles and the rules of the European Community and the international standards. The amendments to the Law regulate the following:

- Modern management procedure for budget resources, providing an opportunity to budget beneficiaries, in case of failure to use the funds approved in the programmes and sub-programmes of the development part of the Budget in the current year, to transfer them in the amount to 50% as resources approved for the next fiscal year.
- In the provisions regulating the Treasury functions, amendments were made that expand the scope of competences of the Treasury in order to create a legal basis for: debiting accounts within the Treasury ledger on the basis of contractual authorisations and in case of correction of an error by the Treasury, for management of liquidity of the accounts within the Treasury ledger, as well as termination of certain payments by budget beneficiaries and spending units of the central government in case of determining deterioration of the financial discipline and in conditions of deterioration of the projected liquidity of the Treasury account. These amendments have been made as a result of the findings in the current practice since the establishment of the Treasury (2002) and they are aimed at ensuring greater efficiency thereof.

Council Regulation 2223/96 provides for the basis in the part of the national accounts. For calculation of the Gross National Income, the State Statistical Office uses data on the Gross Domestic Product at market prices and data on the net primary income abroad covered by the National Bank of the Republic of Macedonia. The calculation of the GNI is not fully harmonised with the ESA 95 standards. The implementation of the methodology is in progress.

The Law Amending the Customs Law, adopted in January 2008 (Official Gazette of the Republic of Macedonia No. 04/08), prescribed a new manner of enforcement of the customs debt on the basis of the Law on Tax Procedure, and i.e. a legal framework was established for the Customs Administration to collect the additionally accrued and outstanding customs debt, in addition to blocking the accounts in the commercial banks, and by means of confiscating property and funds of customs debtors. To this end, the Customs Administration has already adopted internal procedures – Instruction on Enforcement of the Customs Debt and its full implementation is in closing stage.

INSTITUTIONAL FRAMEWORK

The Minister for Finance is responsible for preparation of the Budget of the Republic of Macedonia and for its delivery to the Government of the Republic of Macedonia.

Pursuant to the Law on Budgets, the budget beneficiaries are the first-line beneficiaries from the legislative, executive and judicial power, the funds, the municipal budget beneficiaries, and beneficiaries established by law that are entrusted to perform public authorisations.

The budgets contain the approved funds by budget beneficiaries and determined purposes that refer to financing of the current, capital and other expenditures of the budget beneficiaries and their spending units for execution of the activities presented through programmes and sub-programmes.

The budget beneficiaries must not assume liabilities that are due in the current year, neither incur expenditures exceeding the approved funds under the Budget of the Republic of Macedonia and the municipal budget.

The unutilised approved budget funds cease to be valid on 31 December of the current fiscal year, unless otherwise regulated in the Law on Budgets (Official Gazette of the Republic of Macedonia No. 64/2005, 4/2008, 103/2008).

The budget beneficiaries of the executive power and the funds, as well as mayor of the municipality prepare a draft plan on development programmes, harmonised with the guidelines from the circular and they submit it for approval to the Government of the Republic of Macedonia by 15 July of the current year at the latest, i.e. to the Municipal Council by 20 October in the current year at the latest.

The Government of the Republic of Macedonia approves the draft plans for the development programmes by 15 August in the current year at the latest.

The Municipal Council approves the draft plan for the development programmes by 15 November in the current year at the latest. The approved plan for the development programmes is an integral part of the municipality draft budget.

The criteria, manner, conditions, limitations and borrowing procedure are determined pursuant to the Law on Public Debt. The Treasury is an organisational unit within the Ministry of Finance, entrusted with efficient and effective management with public finance resources, as an especially significant segment of the overall functioning of the state. The Ministry of Finance is responsible for management of the resources obtained from the Budget of the European Union, pursuant to the financing and contracting provisions and rules of the European Union.

The resources from the EU funds, as well as the national co-financing, are shown in the budget under respective programmes, i.e. sub-programmes. Pursuant to the Law on Execution of the Budget of the Republic of Macedonia for 2009, in the case of an untimely transfer of EU funds intended for financing the projects of the separate IPA components, the funds will be provided from the Budget of the Republic of Macedonia. Thereby, in the process of the execution of the Budget of the Republic of Macedonia, the priority in the payment of funds will be given to the financing of the projects of the separate IPA components.

The programmes, through which the funds from the EU funds and the national co-financing are shown, are an integral part of the plan for the development programmes of the budget beneficiaries.

With the introduction of the modern equipment, the international standards for speeding up and facilitating the circulation of goods, quick and quality control of freight means of transport as regards the contents and type of goods being transported, disclosing illegal trafficking and smuggling forbidden goods and excise goods, as well as disclosing undeclared goods of any type in order to contribute to increasing the collection of the import duties, protecting imports and transit of illegal goods, speeding up the flow, protecting the borders and safety of citizens have been established.

Two new units have been established with the modification of the existing systematisation in the Ministry of Finance: Unit for Control of Salaries and Unit for Employments and Monitoring the Development Component of the Budget.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

The Ministry of Finance, in the process of improving the planning and enforcement of the financial and budgetary provisions, will focus on monitoring the following priorities:

1. Improving the budget planning process by upgrading and completing the information system for budget preparation;
2. Improving the budget execution process by implementing a new software solution, i.e. a new treasury information system;
3. Procurement of hardware for the needs of the treasury information system;
4. Drafting amendments to the Law on Accountancy of the Budgets and Budget Beneficiaries aimed at improving the accounting system and its harmonisation with the international standards;
5. Drafting a Rulebook on organisational classification, to regulate the structure of codes for classifying budget beneficiaries and their ordering into a hierarchical organisational structure.
6. Improving the existing indicators and developing new ones, for the purpose of increasing the performance when implementing budget programmes;
7. List of budget beneficiaries;
8. Internal procedures on the manner of budget preparation, to regulate the time frame of the budget process;
9. Implementation of the System for Processing Customs Declarations (SPCD), with the following characteristics:
 - Compatibility of the customs procedures and regimes with the EU requirements
 - It will cover the systems for: Import, Export, Transit, Control Imports/Exports and the sub-systems: TARIM/TARIK, Collection and Guarantees Management, Risk management, Customs Authorisations
 - Solution for the national domain, as well as for the external domain, on national level, for the business community and the government agencies.

Within the frames of the competent institutions, the Customs Administration, the Public Revenue Office and the State Statistical Office, in the upcoming period reforms will be implemented aimed at unifying the collection system of "traditional own resources", which mainly refer to customs duties, tax liabilities in agriculture, VAT liabilities and liabilities on the basis of gross national income, that each EU Member State should pay in the EU Budget:

INSTITUTIONAL FRAMEWORK

It is envisaged to strengthen the administrative capacity with new employments in the units related to the preparation of the Budget of the Republic of Macedonia and the budget analysis as well as in the Unit for development of budgeting, all with the purpose of improving the Budget planning process.

Within the Treasury Sector, in addition to the already started procedures for 6 employments (1 employment in the Unit for Financial Statistics and Analysis, 1 employment in the Unit for Budget Execution, 2 employments in the Unit for Collection of Claims and 2

employments in regional treasury offices), 6 new employments are planned, 1 of which in the Unit for Collection of Claims, 1 in the Unit for Management of the Register of Budget Beneficiaries and Management of Financial Plans, 1 in the Unit for Solvency Projecting and Management, 2 in the Unit for Monitoring the Collection of Public Revenues and 1 in the Unit for Financial Statistics and Analysis.

Implementation of the necessary training for the employees in these organisational units, (related to the application of the new accounting standards, application of ESA 95 Methodology, strategic planning, training related to the new software solutions and training related to management of EU pre-accession funds, training related to improving the model of financing the local self-government units, improving the budgetary planning, improving the existing indicators).

MIDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

In the upcoming medium-term period, the Ministry of Finance, as an authority competent for public finance management, will focus its activities on upgrading the administrative capacity of the competent institutions for adequate control, collection and provision of financial resources, necessary for financing of the EU Budget, development of capital developing projects, improvement of the budgetary process intended for preparing a multi-annual budget, application of the ESA 95 methodology.

In the upcoming medium-term period, the State Statistical Office will fully harmonise the methodology for calculation of the Gross National Income with the ESA 95 methodology.

INSTITUTIONAL FRAMEWORK

Preparation of an analysis for determining institutions and sectors to comprise the system for monitoring and calculation of own resources.

Continuation of the necessary training for the employees in these organisational units, (related to the application of the new accounting standards, application of ESA 95 Methodology, strategic planning, training related to the new software solutions and training related to management of EU pre-accession funds, trainings related to improving the model of financing the local self-government units, improving the budgetary planning, improving the existing indicators).

Assigning the function related to monitoring and calculation of the contribution of the Republic of Macedonia to the EU Budget, thus establishing a coordination unit, responsible for the system of own resources.

FOREIGN ASSISTANCE

Foreign assistance is needed for realisation of training for planning a multi-annual Budget of the Republic of Macedonia, pursuant to the EU standards, as well as hiring consultants for the same purpose.

4 ADMINISTRATIVE CAPACITIES

4.1 HORIZONTAL ISSUES – PUBLIC ADMINISTRATION REFORM

CURRENT SITUATION

The Civil Servants Agency in 2007-2008 was focused on implementation of activities related to the progress of human resources management within the civil service.

In June 2008, an Analysis of Performance Assessment of Civil Servants in 2007 was adopted.

In September 2008, the Government of the Republic of Macedonia adopted the Training Strategy for Civil Servants 2009-2011, a document which will help to establish a sustainable, comprehensive and stable system for training and development of civil servants.

In December 2008, the 2009 Annual Programme on Generic Training of Civil Servants in the Republic of Macedonia was adopted. This Programme is one of the basic documents for putting in operation the reviewed National System for Coordination of Professional Development and Training of Civil Servants, adopted by the CSA in July this year. This Document identifies the new coordination model, simplified and harmonised with the current training needs in the civil service.

The 2009 Budget of the Republic of Macedonia contains a systemic solution to funding training by identifying a separate budget programme for generic training.

Significant progress has also been made by providing for the first time full application of the payroll and pay contribution system of the Law on Civil Servants and Guidelines on Closer Criteria for Money Reward to Civil Servants have been drafted (June 2008).

According to the new Decree on Principles for Internal Organisation of State Administrative Bodies, 45 state administrative bodies have established units on human resources management. In the CSA a Unit on Human Resources Management has been set up whose role will be to coordinate the network of sectors/units of human resources management. Within the Project *Building Administrative Capacities for EU Integration* supported by the British Embassy through the Fund SPFRE (GOFRE) training has been organised in the following areas: human resources management – assessment of needs in terms of training and professional development; preparation of the central and local government structures for successful utilisation of IPA Funds and implementation of the decentralised model of IPA management; training of persons in the state administration responsible for public relations.

Within the period October-December 2008, 9 training events were held on the basics of civil service, aimed at junior associates employed during 2006, for 105 civil servants.

In the course of 2008, the High Administrative Training was realised for the sixth generation of civil servants with an 11-month duration attended by 17 civil servants.

Pursuant to the Decree on the Principles of Internal Organisation of State Administrative Bodies, at the Ministries, beyond the Sectors, units on strategic planning, policy making and monitoring were established.

The Ministries and the state administrative bodies have successfully completed the fourth cycle of strategic planning, developing three-year strategic plans. The Programmes in the Strategic Plans through the matrix have been directly connected with the strategic priorities of the Government, the NPAA and the goals and priorities of the bodies themselves. To the end of building strategic planning capacities, the Government General Secretariat has carried out a range of training sessions on strategic planning, analysis and policy-making (generic and specialised ones) aimed at civil servants at ministries and state administrative bodies.

In March 2008 a new Methodology on Strategic Planning and Drafting the Annual Programme for Operation of the Government was adopted. The General Secretariat implemented training and workshops with the aim to harmonise the draft-strategic plans with the funds provided in the 2009 Budget Proposal.

The General Secretariat (Sector for Strategy, Planning and Monitoring) supported by the GOFRE Project has identified new monitoring indicators in the area of strategic planning, policy analysis and coordination.

With 30 June 2008 inclusive the portal www.uslugi.gov.mk has been upgraded with 9 state administration bodies. Concurrently, 4 training events have been held and 33 persons have been trained.

A Code of Good Practices on Financial Support for Associations of Citizens and Foundations has been adopted, which was promoted through workshops aimed at civil organisations.

The General Secretariat (Sector for Economic Policies and Regulatory Reform) in collaboration with GOFRE worked on developing a legal framework for introduction of the new Regulatory Impact Assessment (RIA) mechanism.

The Government has adopted amendments to the Rules of Procedure, methodology, forms and guidelines on RIA, which entered into force as of 1 January 2009. The information and familiarisation of the state administration and business community with the concept, the methodology, the techniques and the manner of introduction of the Regulatory Impact Assessment have been improved and joint understanding of its importance has been achieved.

In order to improve the national structures' capacities for harmonisation of the national legislation with the EU legislation, and for effective and efficient transposition, implementation and monitoring of the EU *acquis*, the SEA in collaboration with the European Institute from the Republic of Bulgaria has realised 10 thematic workshops in the Chapters: (1) Financial Services; (2) Science and Research; (3) Competition Policy; (4) Freedom of Movement for Workers; (5) Agriculture and Rural Development; (6) Social Policy and Employment; (7) Information Society and Media; (8) Free Movement of Capital; (9) Free Movement of Goods; (10) Justice, Freedom and Security.

SHORT-TERM PRIORITIES

To the end of administrative capacity strengthening by means of provision of continuous training for all civil servants, in 2009 the implementation of the Strategy on Training of Civil Servants 2009-2011 will start, and the CSA will report on its implementation and on the training realised in accordance with the Annual Programme for Generic Training 2009 twice a year. In that context, the adoption of a GTP on Generic Training for 2010 and update of the existing Training Needs Assessment Analysis for Civil Servants is envisaged.

A Unit on Training Support will be established in Skopje for training of civil servants.

Procedures for planning, coordination and reporting of training events will be developed and training will be carried out for the members of the established Council for Training, Management and Coordination of the Training System according to the National Training System.

At the same time, activities for institutionalisation of planning, coordination, monitoring and evaluation of training sessions implemented for the local government will be undertaken by setting up a Centre (Academy) for Local Government Training. The establishment of this Training Centre will be supported by the Government of the Republic of Macedonia, through the Ministry of Local Self-government in partnership with ZELS (Association of the Units of the Local Self-Government).

In the upcoming period, staff strengthening of units on human resources with expert and competent staff will be necessary, as well as training of the HR Units employees.

The CSA's capacities will be further strengthened for the purpose of more successful human resources management and training management.

Coordinated by the CSA, the Network of human resources management units will be set up and become operational, and it will be worked on development of its activities. The CSA in collaboration with this Network will draft an Analysis on the Staffing (both in terms of quantity and quality) of the existing sectors/units of human resources management.

Mechanisms of delegation of the managerial civil servants' responsibilities will be established.

Administration capacities for cooperation with the civil society will be further strengthened.

The local level strategic planning system will be further promoted and a Manual on Municipality Local Development Strategic Planning will be designed.

The system for EU training for building a monitoring system of NPAA institutional component, Training Needs Assessment preparation and training for the members of the WG of NPAA and development and capacity building on decentralised management of EU assistance will be further promoted.

The EU Sectors established within the Ministries will be further strengthened by new employments, continuous training and promotion of EU Sectors Network's operation.

MEDIUM-TERM PRIORITIES

On the medium-term, the development of the Training Strategy 2012-2014 is envisaged on the basis of analysis of the implementation of the Civil Servants Training Strategy 2009-2011, as well as proposal of activities for further development of the training system in the upcoming three-year period and development of a system of selection of both external and internal trainers and experts, and strengthening of the CSA capacity, in particular of the Sector for Training Curricula Development.

Continuous training for strengthening the capacities of the staff members of the State Administration Inspectorate on performing inspection supervision in the area of the Law on General Administrative Procedure will be carried out. Activities will be undertaken to update and implement the Strategy on Public Administration Reform by consulting the public in order to update the Strategy and to develop a monitoring system for implementation of the Strategy, as well as to train the civil servants involved in the PAR process.

The Secretariat for European Affairs supported by the GOFRE Project has identified the following medium-term priorities:

- Improvement of the legislation and procedures
 - Additional activities for improvement of the legislation are directed towards the process of standardised electronic design of primary legislation by development and implementation of FORMEX XML application. This application will unify the procedures into a single system, it will enhance legislation quality, and it will improve institutional communication and reduce institutional costs. This pilot phase will be implemented in several ministries. The activities will be realised by several relevant institutions coordinated by the SEA and supported by funds from the British Embassy.
 - The structure for Regulatory Impact Assessment (RIA) is established and it is fully operational in the Government and Ministries, and the capacities for its implementation are strengthened.
- Preparation for the negotiation process
 - NPAA Working Groups and future negotiation teams' capacities are improved
 - Operational, integrated IT network is set up and able to support the entire NPAA planning process, and the level of implementation and monitoring mechanisms
- Public administration reform by investments in staff members and establishment of human resources management standards
 - Special attention will be paid to the implementation of human resources management standards with the ultimate goal to increase productivity and efficiency of state administration staff by strengthening the performance based system of human resources management and delegation of managerial responsibilities. Concurrently, local capacities will be built within the units on human resources at the ministries, which will implement these standards and will be able to mentor the other institutions while applying them.
- Communication in respect of EU – Functional EU communication system for decision-makers and public opinion creators in public administration – “unison speaking” – capable to convey EU-related messages.
- Strengthen the organisational capacities of the Secretariat for European Affairs as a central coordinative body.

4.2 STRENGTHENING ADMINISTRATION CAPACITIES FOR EU ACCESSION

PREPARATION OF THE MACEDONIAN VERSION OF THE ACQUIS

CURRENT SITUATION

LEGAL FRAMEWORK

The goals and function of the process of preparation of the Macedonian version of *acquis communautaire* are covered by:

- The National Strategy for Integration of the Republic of Macedonia into the European Union 2004
- The Draft-Strategic Plan of the Secretariat for European Affairs 2009-2011
- The Strategic Plan for Preparation of the Macedonian Version of *Acquis Communautaire* and translation of the Macedonian legislation, adopted in May 2006.

The process of preparation of the Macedonian version of *acquis communautaire* has been set out in detail by the:

- Technical Guidelines on the Process of Translation of the European Union Legal Acts
- Manual for Translation of European Union Legal Acts
- Decision to set up the Technical Committees involved in the process of preparation of the national version of *acquis communautaire*
- Rules of Procedure for the Technical Committees for Expert and Legal Revision
- Rules of Procedure for the Technical Committee for Verification of Terminology and of the National Version of the European Union Law.

Other Guidelines are under preparation, which identify the roles and functions of all participants in the process of preparation of the Macedonian version of *acquis communautaire*.

By end-2008 a total of 3,554 measures or 47,942 pages of the EU Official Journal were translated, and 1,494 measures or 19,683 pages of the EU Official Journal have undergone expert and legal revision .

INSTITUTIONAL FRAMEWORK

The preparation of the national version of *acquis communautaire* (EU Law) is based on the model of an outsourcing network with one central body, the Sector for Preparation of the National Version of *Acquis Communautaire* within the Secretariat for European Issues, responsible for process coordination and monitoring. The Sector for Preparation of the National Version of *Acquis Communautaire* within the Secretariat for European Affairs is responsible for implementing the process of preparation of the Macedonian version of *acquis communautaire*. There are two units within the Sector for Preparation of the National Version of *Acquis Communautaire*:

Unit for Revision and Terminology whose duty is to identify the consistency criteria in translating the European Union Legal Acts, to build the terminology and perform control over the translation process in terms of both European Union Legal Acts and Macedonian legislation.

Unit for Coordination of the Translation Process is responsible for developing a translation plan, monitoring and coordination of the translation process through centralised data bases.

The Sector for Preparation of the National Version of *Acquis Communautaire* has a total of 8 employed civil servants and 3 persons engaged on a contract basis.

In addition to Sector's employees, other participants in the process of preparation of the national version of *acquis communautaire* and translation of the Macedonian legislation are as follows: translation agencies and technical committees in charge of expert and legal revision of translations.

Currently, the Sector cooperates with 12 translation agencies with which it has executed three-year agreements (2006-2008). They have 40 to 65 translators available. The translation agencies perform translation and proofreading of the legal acts, technical editing of the text to the act, as well as supply translation memory (using the electronic translation tools Trados or Word Fast).

The technical committees are responsible for expert and legal revision of the translations to EU Legal Acts. On 2 January 2008 by Decision No 19-8348/1 of the Government of the Republic of Macedonia altogether 20 Technical Committees in various areas were established. The ministry representatives are included in the technical committees and they are directly responsible for transposing the legal acts of the respective area into the Macedonian legislation. There is also a jurist from the respective ministry or from the Secretariat for Legislation. With the aim to provide a multiple review of the translation, members of the Technical Committee are also some professors and public sector representatives. In the course of 2008, the Sector for Preparation of the National Version of *Acquis Communautaire* carried out 14 workshops intended for the Technical Committees' members in order to acquaint them better with the process of preparation of the national version of *acquis communautaire*.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

During 2009, it has been planned to realise the activities to the end of strengthening the structure of preparation of the national version of *acquis communautaire*, maintaining the data bases that serve the purpose of supporting and monitoring the process, as well as expanding the activities in the field of meeting the requirements in language terms.

It has been planned to continue the work of technical committees for expert and legal revision of the translations to EU legal acts, as well as to enhance the quality of expert and legal revision and increase the total number of reviewed pages from the European Union Official Journal. It has also been planned to increase the activities of the Technical Committee for Verification.

In addition to the Sector's employees, other participants in the process of preparation of the national version of *acquis communautaire* and translation of the Macedonian legislation are as follows: translation agencies and technical committees in charge of technical and legal revision of translations.

At the beginning of 2009, a new three-year agreement on translation services provision (2009-2011) is planned to be signed with translation agencies which perform translation and proofreading of the legal acts, technical editing of the text to the act, as well as supply translation memory (using the electronic translation tools Trados or Word Fast).

During 2009, linguistic, technical and legal revision of the primary EU legislation is planned, which was fully translated in the course of 2008.

For the purpose of monitoring and supporting the entire process of preparation of the national version of *acquis communautaire*, ongoing data base maintenance is needed of the following: Register for Monitoring the Translation Process, Terminology Data Base and CC Vista Base of the European Union.

Development of the Macedonian version of Eurovoc is one of the obligations that the Sector for Preparation of the National Version of *Acquis Communautaire* should undertake in close cooperation with the Translation Service of the Assembly of the Republic of Macedonia.

INSTITUTIONAL FRAMEWORK

In order to realise the set short-term priorities successfully, it is necessary to perform the necessary staffing and technical strengthening of the Sector for Preparation of the National Version of *Acquis Communautaire* with at least 7 persons by end-2009.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

In the 2010 – 2011 period, it is planned to continue the realisation of the activities to the end of strengthening the structure of preparation of the national version of *acquis communautaire*, maintaining the data bases that serve the purpose of supporting and monitoring the process, as well as expanding the activities in the field of meeting the requirements in language terms.

For the 2010 – 2011 period it is planned to continue the translation process and technical and legal review of additional 30,000 pages of the EU Official Journal.

After the steps undertaken to improve the work of the technical committees it is expected to speed up the dynamics of technical and legal revision, i.e. to strengthen quantitatively and qualitatively the work and structure of technical committees. In that context, the number of verified national versions of *acquis communautaire* is expected to increase.

For the purpose of monitoring and supporting the entire process of preparation of the national version of *acquis communautaire*, ongoing data base maintenance is needed of the following: Register for Monitoring the Translation Process, Terminology Data Base and CC Vista Base of the European Union.

Within the stated period, it is planned to complete the activities related to the development of the Macedonian version of Eurovoc.

By speeding up the dynamism of the process of preparation of the national version of *acquis communautaire*, a need arises for raising the level of information on the importance of a qualitative Macedonian version of *acquis communautaire* and its impact on the citizens. Hence, it is necessary in the stated period to start designing and commencing an information campaign on the process of preparation of the Macedonian version of *acquis communautaire*.

INSTITUTIONAL FRAMEWORK

In order to realise the set medium-term priorities successfully, it is necessary in the course of 2010 and 2011 to hire additional 7 persons in the Sector for Preparation of the National Version of *Acquis Communautaire*.

During 2010 and 2011, regular training events have been envisaged, which are implemented by the Sector for Preparation of the National Version of *Acquis Communautaire*, both for the translators' network and all the Technical Committees' members, whose goal is to exchange information and experience between all the participants in the process of preparation of the national version of *acquis communautaire*.

FOREIGN SUPPORT

A need for provision of additional funds through foreign assistance appears with respect to activities related to training of civil servants working for the Sector and in connection with upgrade and maintenance of terminology data bases, familiarisation with the operation of translation services within the European Union institutions, as well as in respect of the impacts of EU Law translation on the standard Macedonian language.

It is necessary to provide foreign assistance in respect of an information campaign on the process of preparation of the national version of *acquis communautaire*.

5 PUBLIC INFORMATION AND COMMUNICATION

The Government of the Republic of Macedonia has wide support for EU membership in all social strata and among all social groups. All political parties in Macedonia have underlined EU membership in their programmes. The business sector, the most of the non-governmental organizations and associations of citizens support EU membership. The population support has continuously been over 87 per cent.

The latest public opinion polls in June 2008 carried out by the Secretariat for European Affairs showed support of 87.5 percent. Taking into account the experience of some Member States that the EU accession support drops immediately before the membership, it is necessary to implement more communication projects both for the entire general public, and for specific target groups with the aim to raise the level of knowledge of the population, on the benefits and obligations arising from the membership, and also to maintain the high level of support.

In terms of the commitments of the Republic of Macedonia to intensify the process of integration of the country into the European Union, the Government has adopted the Strategy for Public Information and Communication in the Process of the Accession of the Republic of Macedonia into the EU 2007-2010 which underlines the following goals:

- Continue the process of bringing the citizens of the Republic of Macedonia closer to the everyday dimensions of EU functioning through awareness raising and understanding the integration policy and process;
- Raise awareness in local communities;
- Build trust and confidence in the capacities of the Macedonian institutions involved in the European integration process;
- Build trust in the EU institutions;
- Ensure that specific sectors such as the business sector, the agricultural or judicial sector understand the process and are fully involved and prepared;
- Ensure that EU Member States are aware of the readiness of the Republic of Macedonia for integration, and to obtain their support.

In order to accomplish these goals the Government of the Republic of Macedonia has drafted projects whose implementation will help not only in terms of information, but also in appropriate education of the population and of several social groups on the topics related to the integration process, as well as to the obligations arising from the membership. The following projects are reflected in the annual operational plans:

- *"Learning about the European Union"* – a project which contributes to increasing knowledge on the EU accession process in pupils and students of all educational institutions in the Republic of Macedonia, as a main condition in the implementation of the strategic commitments of the Republic of Macedonia for entry into the EU and which has been implemented for three consecutive years;
- *"Going local"* - a project which contributes to strengthening awareness in key stakeholders on local level – mayors and counsellors, who know that by working locally they contribute to progress on national level, but at the same time mobilising and strengthening participation of the citizens, the civil sectors' and the business sector in the decision-making related to the European future of Macedonia on local level. This project has been implemented for three consecutive years.
- *"MK-EU Info Centre"* – a project which contributes to increasing information of citizens regarding the EU processes and the Republic of Macedonia's EU accession process. The Centre is a room where everyone can get relevant data on the Union and the reform process on Macedonia's way to the EU. Citizens have Internet access available to web pages of the EU and of the Government of the Republic of Macedonia, access to foreign newspapers and direct broadcast of the events taking place at the EU bodies and institutions via the satellite channel Europe by Satellite. In addition to that, the Centre avails of a rich library with technical literature with more than 600 titles in the EU area. EU Member States, as well as the EU bodies and institutions are presented through brochures, leaflets or tourist material;
- *"On the Way to Europe Start from Yourself"* – a media campaign whose goal is to positively promote the European values and benefits that the Republic of Macedonia will obtain from EU membership. The campaign consists of TV clips, newspaper advertisements, leaflets and posters.

The Government uses other public information and communication tools, such as regular press-conferences, briefings, brochures on topics related to the EU accession process, web sites, debates and conferences. The main web-site on which more detail can be found on public information and communication regarding EU related issues is www.sep.gov.mk