



REPUBLIC OF MACEDONIA  
GOVERNMENT OF THE REPUBLIC OF MACEDONIA

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

SKOPJE  
APRIL 2007

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# INTRODUCTION

Following the candidate status in December 2005, the Government of the Republic of Macedonia laid down the Draft Programme for Adoption of the Acquis. The document comprises the plans for harmonisation of the national legislation with the EU legislation, the necessary dynamics of institution strengthening for implementation of the legislation, as well as the necessary resources for realisation.

The Programme was presented in May 2006 before the EC services in Brussels. The EC gave its initial comments in September 2006. In October 2006, the Committee for European Affairs within the Assembly of the Republic of Macedonia discussed the Draft Programme.

In November 2006 after the Annual Progress Report on the Republic of Macedonia, followed the revision of the text of the Draft Programme for Adoption of the Acquis, for the purpose of its further qualitative upgrade, taking into consideration:

- The findings of the European Commission Progress Report on the Republic of Macedonia in the Stabilisation and Association Process
- The short and medium-term priorities of the European Partnership
- The Work Programme of the Government of the Republic of Macedonia (2006-2010)
- EC Comments
- The Strategic Plans of the ministries
- Alignment with the Budget of the Republic of Macedonia for 2007
- The current and the planned projects for foreign assistance

The Government approved the Programme on its session held on March 22, 2007. The Committee for European Affairs of the Assembly of the Republic of Macedonia discussed and supported the Programme on its session held on April 13, 2007.

The contents of the Programme follow the structure of the Copenhagen criteria, i.e. comprises the following chapters:

- Political criteria
- Economic criteria
- Ability to assume the obligations for membership
- Administrative capacity
- Preparation of the National Version of Acquis Communautaire
- Communication of the European integration process
- Annexes

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 (state as of January 1 2007), as well as the short-term (2007) and medium-term (2008–2010) priorities, on legislative and institutional level.

The **tabular part** is divided into three attachments:

**Attachment 1** – gives an overview of the national legal acts subject to harmonisation with EU legislation, with terms for adoption and responsible institutions.

**Annex 2: Necessary institutional strengthening** This Annex gives a detailed overview of the necessary institutional strengthening given by years and chapters. It is important to emphasise that the presented data do not explicitly assume new employments. The necessary institutional strengthening to a maximum possible extent will be ensured through secondment of the existing capacities within the frames of the administration. This presents a basis for preparation of an annual employment programme of the Government of the Republic of Macedonia.

**Annex 3: Budget funds and current/ planned foreign assistance**

## Matrix of activities

For the purpose of ensuring consistency and integration of the documents, the existing Action Plan for European Partnership 2005 is integrated in the National Programme, as a matrix of priorities, objectives and activities, which enables efficient follow-up of the realisation of the Programme. The matrix contains the detailed activities for implementation of the priorities and objectives of each chapter. As an important instrument for monitoring, it will be the basis for preparation of weekly and monthly reports on implementation of the Programme, which will be reviewed by the Government.

Methodologically, the Programme has been conceptualised based on January 1, 2007 as the starting date for implementation of the planned activities; however, the activities have been implemented in continuity, in line with the European Partnership Action Plan.

# 1 POLITICAL CRITERIA

## 1.1 DEMOCRACY AND RULE OF LAW

The Constitution of the Republic of Macedonia was adopted on 17 November 1991 by the Assembly of the Republic of Macedonia, constituting the Republic of Macedonia as an independent and sovereign state. The Constitution of the Republic of Macedonia was subsequently amended five times. The 2001 amendments of the Constitution provided for implementation of the Ohrid Framework Agreement. The amendments of December 2005 were focused on implementation of the judicial system reform – strengthening the independent judiciary as one of the key reform priorities of the Republic of Macedonia.

Consistent enforcement of the constitutional and legal provisions implementing the Ohrid Framework Agreement remains a priority commitment of the state institutions.

It will be necessary to amend the Constitution of the Republic of Macedonia prior its accession to EU from the aspect of sovereignty, including the issues of competence and procedures regarding adoption of *acquis communautaire*.

### 1.1.1 Assembly

Strengthening of the parliamentary dimension of the EU accession process is extremely important for maintaining the consensus on the strategic goal of EU accession and accelerating the reform pace.

The Assembly has a crucial role in strengthening the national consensus for fulfilment of the priorities arising from EU membership as a strategic goal. Furthermore, the Assembly is a significant factor for the dynamics of the fulfilment of the EU accession criteria and accelerating the reform processes through the accomplishment of its legislative function – in terms of harmonisation of national with EU legislation, and in terms of its controlling function over the executive power.

The strengthening of the consensus should be expressed through active participation of all parliamentary groups and MPs in the work of the Assembly, strengthening the dialogue between parliamentary groups as well as within the framework of working bodies, on the basis of consistent respect of the provisions of the Constitution and the Rules of Procedure.

A procedure for adoption of new Rules of Procedure of the Assembly of the Republic of Macedonia has been initiated aiming at increased efficiency in the functioning of the Assembly, including a special procedure for the adoption of the laws related with the *acquis communautaire*. For the adoption of the new Rules of Procedure it is necessary to reach consensus between all political parties in the Assembly.

The plenary sessions of the Assembly are open to the public, thereby providing a high degree of transparency in its functioning. Experts, academia and representatives of the local self-government, trade unions or associations of citizens may be invited to attend the sessions of the working bodies in order to express their opinions related to the discussed issues and for the consultation of all stakeholders.

In June 2003 the Assembly adopted a Declaration on the Assembly's Dimension of the Process of Integration into EU, which provides that one session per year should be dedicated to this process. This practice commenced in December 2006.

In November 2003, the Assembly established the Committee on European Issues (CEI) which has been holding regular sessions since that date. In accordance with the Decision on establishing standing working bodies of the Assembly of the Republic of Macedonia adopted in September 2006, the CEI competences were specified so as to focus its operation on the monitoring of the process of harmonisation of the Macedonian legislation with the EU law. The competences of CEI include:

- monitoring the implementation of the National Strategy for Integration of the Republic of Macedonia in the European Union and regularly informing the Assembly on its implementation;
- monitoring the accomplishment of the obligation arising from the Agreements signed between the Republic of Macedonia and the European Union and realisation of the programmes and other acts of the European Union institutions, including financial assistance programmes;
- monitoring and promotion of the process of approximation of the legislation of the Republic of Macedonia with the legislation of the European Union, proposing measures for promotion of the approximation procedures, providing opinions and proposals for the activities of the working committees of the Assembly in this field;
- monitoring of the activities of the Government and the public administration bodies aimed at acquiring the membership of the Republic of Macedonia in the European Union and opinions and recommendations in relation thereto;

- analysing the consequences of the accession of the Republic of Macedonia in the European Union and drafting reports thereto;
- informing, on regular basis, the Assembly on all issues related to European integration, including collection of information, literature and other documents associated with the European Union;
- initiating and realising activities for informing the public about the European integration processes;
- cooperation with respective commissions of other countries; and
- other issues related to the European integration of the Republic of Macedonia

Furthermore, the CEI actively participates in the regional cooperation of the commissions for European and foreign affairs of the countries of South-Eastern Europe, the relevant commissions for European affairs of EU member-states as well as with the Conference of the Commissions on European Affairs of the EU member-states (COSAC). To this end, the CEI takes active part in the work of the Conference of the parliamentary commissions for European integration/affairs of the member-states in the Stabilisation and Association Process of South-East Europe and in December 2006, within the framework of COSAP Macedonian presidency, the Third Conference took place.

A practice of quarterly reports delivered by the Government has been introduced on activities undertaken in the EU accession process, which are deliberated by the CEI.

The compulsory statement of compliance with EU law and the correspondence table for the laws provided for in this National Programme shall enable efficient involvement and substantive examination of the laws transposing the European Union law in the Parliament.

## **Elections**

The parliamentary elections, held on 5 July 2006, demonstrated the significant progress the Republic of Macedonia has made in its capacity to organise fair and democratic elections in line with the European standards. Such progress was achieved as a result of the joint engagement of all political parties, the state administration and the civil sector.

The Assembly, with the adoption of the Election Code on 29 March 2006 codified the electoral legislation in line with OSCE-ODIHR recommendations, thus realising one of the key priorities of the 2005 European Partnership. The Code, as a transitional solution for the first next parliamentary elections held in 2006, envisaged that the electoral boards (5 members) consist of civil servants employed in the public administration (3 members) and representatives of the largest parties (2 members – 1 from the opposition and 1 from the ruling parties) that won the most votes on the previous elections. The Code anticipates that for the next elections the members of the Municipal Electoral Commissions (MEC) and election boards (EB) and their deputies are selected solely from the range of public servants, employed in the state, municipality administration and the City of Skopje and the employees in the public administration.

Members of the State Electoral Commission (SEC) are selected through a public announcement. The President is elected on a proposal from the opposition, and his deputies on a proposal from the ruling parties. The SEC members are appointed by the Assembly acting by qualified majority of the total number of MPs. The manner of financing of the election campaigns by natural and legal persons has also been regulated. A professional service for support of the SEC has been established. The penal policy has been strengthened in view of sanctioning electoral irregularities, and efficiency of court proceedings on criminal acts and misdemeanours in the field of election rights has increased.

Further commitments of the state institutions shall be focused to: strengthening the citizens' confidence in the election process, identifying and eliminating the identified inconsistencies in the election process as well as effective sanctioning of electoral irregularities. The established legal and institutional framework provides grounds for timely and comprehensive preparation for the next election cycles. For the realisation of these objectives, it is necessary to ensure the maintaining of consensus between the political parties and inclusion of the non-governmental sector.

### **1.1.2 The Government**

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

The priorities of the Government provided for in the Programme of the Government 2006-2010 are consistent with the requirements arising from the EU membership: improved citizens' living standard, increased employment, strengthened fight against corruption, developed democracy, enhanced inter-ethnic relations, political stability and integration in the EU and NATO. The Government is determined to intensify the reforms aimed at EU accession and to establish continuous cooperation with all political factors towards maintaining and deepening the national consensus for obtaining this national priority. Furthermore, the

Government is dedicated to promote transparency and involvement of all stakeholders in the decision-making process and implementation of reforms.

The established practice of commencing the Government sessions with a compulsory item – realisation of the European Partnership priorities - enables critical review of the implementation of the obligations from the European Partnership Action Plan, and by the adoption of the NPAA – implementation of the obligations arising from the NPAA. Moreover, a practice of holding thematic sessions at least once a month has been introduced, dedicated to the EU accession priorities.

### **Public administration**

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

Strategic commitment to professional, politically neutral, efficient, accountable and service-oriented public administration incorporated in the Law on Civil Servants, adopted in 2000, will be continuously enforced through monitoring the consistent implementation of the established principles and standards in the sphere of civil servants' selection, employment, responsibility and performance appraisal.

The continuity of the public administration reform is one of the key objectives of the Government laid down in the Decision on Strategic Priorities for 2007. Those are as follows: increased transparency and further promotion of the civil-society participation and inclusion of social partners in the decision-making process and in the management of public financing; strengthening the administrative capacities of the local self-government and introducing financial security; ensuring equitable representation of the members of communities within the public administration, including judiciary and public enterprises, strengthening the inspection services capacity as well as the administrative capacity of the Instrument for Pre-accession Assistance (IPA).

The Government continues to apply and improve the instruments for strategic planning and policy analysis and coordination, towards realisation of the objectives and accelerating the reforms.

Further enhancing strategic planning, integration of the process for determination of the priorities with the budget process will significantly increase the potential of the Government regarding accomplishment of its functions and allocation of resources for their implementation. The legal framework regulating the system of planning and creation of policies system includes the Law on the Government of the Republic of Macedonia and the Rules of Procedure of the Government of the Republic of Macedonia setting up the foundations for the processes of strategic planning and analysis and coordination of policies. The Methodology for Policy-analysis and Coordination (2006) which lays down the main policy-making principles and the published Manual for Policy-making are the basis for continuous training of the public administration.

Ensuring consistency of the strategic planning mechanisms and the budget process with the mechanisms and instruments for the EU accession process is one of the key objectives towards achieving the short-term priorities. This implies adjustment and consistent implementation of the administrative procedures, supported by the system of e-Government, as well as capacity building –both on central level of the Government and in the state administrative bodies. Furthermore, the system of evaluation and monitoring of the implementation of the Government policies will be strengthened.

Improvement of the law-drafting as a short-term objective will be focused on development and implementation of methodologies for impact assessment, higher level of inclusion of all stakeholders as well as enhanced transparency.

Strengthening the horizontal capacity of the administration, by obligatory establishment, of Sectors for EU within the Ministries (transformation of the existing units into sectors) and their staffing is envisaged. In addition, the capacities of the Secretariat for European Affairs will be further strengthened aimed at its efficient coordination role provided in the Law on the Government – support to the EU accession process, negotiation process, monitoring and implementation of the Stabilisation and Association Agreement, as well as support to the SAA Committee and subcommittees, as well as coordination of the EU assistance and other foreign assistance.

The Rules of Procedure of the Government of the Republic of Macedonia have been amended in order to precisely denote and effectively monitor adoption of legal acts from the NPAA a, with obligatory statement of concordance and table of correspondence. The provision on mandatory statement of concordance and table of correspondence for each regulation will be consistently applied.

A special Guideline has been proposed by the Government for the purpose of detailed procedure concerning the adoption of the acquis.



The position and capacity of the Legislative Secretariat, competent for issues related to ensuring consistency of the legal system and providing expert opinions on approximation of draft-laws and other regulations with the Constitution, EU law and the international agreements ratified in accordance with the Constitution as well as providing expert opinions on municipality regulations as requested by the Ministry of Local Self-Government, will be strengthened. Strengthening of the Legislative Secretariat is to contribute to higher quality of laws, standardisation of nomo-techniques and consistency with the EU law requirements.

The modified position and functioning of the General Secretariat as a professional service of the Government, according to the Amendments of the Law on the Government 2005 also contributed to the strengthening of the central coordinative mechanisms. With regard to the procedures applied in the public administration on horizontal level, in addition to budget and public procurement procedures, regulated by the provisions of the Law on Budgets (2005) and the Law on Public Procurements (2004), the most significant is the Law on General Administrative Procedure, adopted in May 2005. Its consistent application, together with the application of the Law on Administrative Inspection (adopted in 2004), constitutes basis for enhancement of the efficiency of the administration, its transparency and accountability, as well as basis for enhanced protection of the rights and interests of citizens and legal entities.

The Law on Institutions (May 2005), as a generic law having subsidiary application, regulates the terms and manner of provision of services related to public interest through public, private, or joint ownership institutions in the fields such as health, education and science, culture, social and child protection as well as in other fields determined by law as public service.

The state supervisory function will be strengthened through enhancing the capacity of the inspections and their coordinated action, for which a mechanism on central Governmental level has been established – Coordinative body with a Minister without portfolio in charge.

In order to improve the cooperation between the state administration and the Ombudsman, a mechanism has been introduced according to which reports on measures taken by the administration related to procedures initiated by the Ombudsman are reviewed in the Government sessions on a quarterly basis. The mechanism will be improved in order to ensure higher level of accountability of the administration and appropriate implementation of the recommendations referred to in the Ombudsman reports.

Participation of the civil society in the process of policy-making is one of the strategic objectives also contained in the Strategy for Cooperation between the Government and the Civil Sector (2007-2011). In the course of 2007 the Rules of Procedure of the Government will be amended so as to ensure that draft laws are available to the public through web-sites of the Ministries and of other state administrative bodies; thus ensuring participation of the civil sector in the work of expert councils of the Government (Legal and Economic Councils) and other bodies.

According to the Work Programme of the Government (2006-2010), regarding good governance and fight against corruption, the Government introduced its three main operational principles: straightforwardness, transparency and accountability. The Government of the Republic of Macedonia, towards fulfilling its principles and commitment, on 15 January 2007 introduced the Citizens' Charter as innovative and efficient instrument for improvement of public services and fight against bureaucracy and corruption. Service Evaluation Form has been introduced for the purpose of evaluation of services by their beneficiaries constituting a simple questionnaire in which the citizen beneficiaries of particular services are asked to give their response to the manner, promptness and timescale of the service provision, and interim it gives possible proposal for enhancement of the manner of service provision. The quarterly reports on the results obtained from the filled in forms will be an information instrument to the Government, on which basis measures will be proposed to the authorities failing to improve their situation in the course of two subsequent quarters resulting in appropriate measures taken against the competent persons in those authorities.

The implementation of the Law on Free Access to Public Information applicable as of September 2006 will be further supported by the Government and state administrative bodies.

The next development phases of the portal [www.uslugi.gov.mk](http://www.uslugi.gov.mk) envisage upgraded two-ways communication between citizens and the Government. So far the following portals have been promoted: e-session – system for preparation and holding electronic sessions; gs.gov.mk – internal portal of the GS; Apply On-line – electronic submission of application forms for civil servants employment ; e-procurements – electronic-based public procurements; e-concessions – procedure for concession granting; e-taxes – electronic-based tax services; e-education – electronic-based education; e-health (health registers and supervision of medicines), and the e-budget project is underway.

Intensified implementation of the police reforms following the Law on Police adopted in October 2006 will contribute towards strengthening the police capacity and enhancement of the rule of law. The adopted Action Plan for Drafting By-laws required for implementation of the Law provides their adoption by the end of June 2007; in order all the necessary preparations to be completed on time and efficient implementation of the Law to be provided within the legal time limit, November 2007. Since

November 2005 the police reforms have been supported by the Twinning Project, whereas upon its conclusion, the Ministry of Interior has drafted a project on continuation of the Reform Process in the Police within the framework of the Instrument for Pre-accession Assistance (IPA).

The reform of the Army is increasingly ongoing on the basis of the Annual Action Plan for NATO Membership.

### **Decentralisation**

Following the Constitutional amendments in November 2001 implementing the Ohrid Framework Agreement, a new system of local self-government of the Republic of Macedonia has been introduced, strengthening municipality competences and widely extending their competences. The Law on Local Self-Government has identified the fields covered by the decentralisation of government: urban planning; local economic development; culture; education; social and child protection; public utility activities; environment and nature protection; sports and recreation; health care and rescue of citizen and material goods.

The Law on Territorial Organisation of the Local Self-Government and the Law on the City of Skopje, adopted in August 2004 laid down a new territorial organisation in 84 municipalities and the City of Skopje as a separate local self-government unit.

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

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

Detailed Plan for Transfer of Competencies and Resources in the Process of Decentralisation was adopted and implemented. As of 31.12.2005, the total of 551 institutions and 30.236 employees were transferred from central to local level.

As of 1 July 2005, the process of decentralisation is being implemented under the conditions of transferred competencies, in accordance with 36 key laws from the Operational Programme on Decentralisation and the Programme for Implementation of the Decentralisation Process 2004 – 2007, Detailed Plan for Transfer of Competencies and Resources and Decisions for transfer of founder's rights, movable and immovable property of the local self-government units.

Inter-ministerial coordination is taking place within the Working Group on Decentralisation in 10 Sub-groups caring out continuous activities regarding improvement of legislation and sectoral strategies for decentralisation.

A mechanism for monitoring and evaluation of the decentralisation process has been established and it will continue functioning in the next period. Procedures for regular and transparent informing on the progress of the process of decentralisation have been established as well.

By the end of 2007, the Government of the Republic of Macedonia will adopt a Strategy for Balanced Regional Development as a basis for establishing positive climate for investment and development support. The Ministry of Local Self-Government drafted the Law on Balanced Regional Development, which is in parliamentary procedure.

During 2007 to the inter-municipality cooperation will be enhanced through improving the legal and institutional framework for its implementation.

Regarding the planning, programming and implementing framework of the decentralisation process main actions are as follows:

- To draft new Program concerning implementation of the decentralisation process for the period 2008—2010 taking into consideration the current status of the decentralisation, as well as the new sectoral initiatives;
- To make a new Action Plan on the basis of the programme document containing details in relation with implementation – objectives, timescale, as well as specific tasks and obligations;

According to the Law on Financing of Local Self-Government Units, self-financing of the local self-government units by their own sources and revenues and additional funds provided from the Budget of the Republic of Macedonia commenced as of 1 July 2005. The municipalities' own revenues are provided from property taxes, public utility taxes, fees defined by the municipalities and portion of revenues that the municipality may generate depending on its own initiative.

The preparations for the implementation of the second phase of fiscal decentralisation, in which the block-grants should be transferred from the Budget of the Republic of Macedonia to the municipalities for the public institutions operating in the field of – culture, social and child protection, education and health care – under the following conditions:

- If the municipality has fulfilled the conditions of the first phase meaning staff capacity for financial management;
- If good financial results of its operation for at least a period of 24 months are demonstrated;
- If timely and properly informs the Ministry of Finance on its good operational results;
- If it does not have any outstanding debts towards its suppliers, or any other creditors exceeding the customary conditions of payment.

By the end of 2007, the criteria for distribution of block grants to municipalities will be adopted.

For the purpose of commencing the realisation of the second phase, the Ministry of Finance has elaborated an Analysis of the realisation of fiscal decentralisation.

The process of incorporation of the municipal administration in the state civil service system of the Republic of Macedonia, aimed at strengthening its capacity, has been completed. Namely, standards in the sphere of selection, employment, accountability and assessment of civil servants employed in municipal administration reflect from the existing merit-based civil service model.

The annual programme for training of civil servants containing national and local priorities for 2007 will be adopted. The Three-lateral Committee shall continue its coordinative function to provide the building-capacity training. As a result, the adopted Strategy for Training of the Local Self-Government will be fulfilled. In short-term the training will in particular focus on enforcement and implementation of the laws related to the EU integration process of the country (environment, social and child protection, primary and secondary education, and etc.), strengthening the municipality capacity in terms of tax collection, municipal property management and local economic development as well as strengthening internal control and audit mechanisms.

The Plan on Resolving Debts of the Municipalities adopted by the Government in July 2005 is continuously being implemented, with a general trend of decrease of the debts.

According to the provisions of the Law on Internal Affairs, Law on Police as well as the Action Plan for Transformation of Regional Police Services within the Police Reform Strategy it is envisaged that the Commanders of 38 police stations having general competence are appointed by Councils of Local Self-Government within the period May-October 2007.

The specified laws regulate the procedure and manner of appointment and dismissal of the police station Commander having general competence. The police station Commander informs, in writing, the Municipal Council on the issues on public security and road traffic safety every 6 months. Furthermore, at a request of the Council, the Commander informs on issues concerning public security and road traffic safety.

A mechanism for regular consultations with the units of the local self-government has been established. The Government is determined to continuously deepen the cooperation with the Association of the Units of the Local-Self-Government.

### **1.1.3 Judiciary (see, also, Chapter 23 – Judiciary and Fundamental Rights)**

The Republic of Macedonia has made significant progress in the implementation of the judicial reform defined by the Strategy and the Action Plan for its implementation in November 2004 followed by the Constitutional amendments (December 2005) as well as the adoption of the key reform laws (2006), with consensus achieved by the political entities. The legal and institutional framework has been completed, while the implementation and enforcement of the new-established institutional arrangements is ongoing. The key objective – strengthening the independence of judiciary has been achieved.

Upcoming activities in the strengthening the independence of judiciary and enhancement of the execution of judicial function will be directed towards the implementation of the legal arrangements ensuring not only independence but also accountability in the execution of judicial function, as well as quality enhancement and evaluation as a basis for promotion. The established Academy for Training of Judges and Prosecutors, which commenced its operation following the provision of all conditions required (legal, material and human resources), provides additional guarantee for the promotion and specialisation of judiciary.

It is envisaged to strengthen the competences of the Public Prosecutor in the pre-investigative and investigative procedure and in the measures taken for detection and prosecution of offenders in the area of organised crime and corruption.

Strengthening the confidence in judiciary is continuously ongoing simultaneously with the achievement of the reform objectives as well as with the enhancement of judicial transparency.

Moreover, key commitment is the gradual increase of the Judicial Budget, which is directly conditioned by the results from the measures envisaged for improving the efficiency of the judiciary.

The amendments to the criminal and civil court proceedings as well as the specialisation of judiciary contribute to the improvement of its efficiency. In addition, with the commencement of the established Institute of Enforcement Agents in the

course of 2006, the problem of the delay in the execution of civil cases has been addressed to great extent, which is significantly reduced and it is expected that this trend will continue. The current reforms in the misdemeanour system – harmonisation of the special laws providing for misdemeanours referred to in the Law adopted in 2006, are also directed towards increasing the efficiency of the judiciary. The legislative amendments are based on the 2005 Constitutional amendments which provide for state administrative body or organisation and other body performing public authorisations, to pronounce fines for particular misdemeanours determined under law, whereupon court protection is guaranteed against the decisions delivered by these bodies through newly-established administrative court. According to Article 154 of the Law on Misdemeanours, it is the obligation of state authorities within 12 months from the date of entering into force of this Law, to harmonise the laws<sup>1</sup> stipulating misdemeanour sanctions with the new misdemeanour sanctions provided for in this Law.

In addition, the application of the Law on Mediation of 1 November 2006 as an alternative method for settling civil, commercial, working, consumer and other disputable relations provides for a decrease in the number of court cases and consequently, improved access to justice.

The application of established systems for management of court cases will significantly contribute to modernisation and efficiency of judiciary; however, it is necessary that intensive training is planned for judges and court clerks.

#### **1.1.4 Anti-Corruption Policy (See also Chapter 23 – Judiciary and Fundamental Rights)**

The demonstrated political will and consent of all political entities for prioritising the fight against corruption under the already established firm legal framework and compatible with the European standards will result in reduction of the level and perception of the corruption only if, all involved entities consistently enforce the policy of “zero tolerance”.

In parallel with the enforcement of the policy of ‘zero tolerance’, institutional strengthening of the enforcement agencies will be a priority, in order to identify and professionally implement the procedures against sophisticated corruption crimes, including money laundering.

The strengthening of the State Commission for the Prevention of Corruption is a key commitment. The SCPC will, in the first half of 2007 draft a new updated version of its State Programme for Prevention and Repression of Corruption based on indicators for efficiency in its implementation. The Programme will be based on the pillars of the national integrity system – political systems, Assembly and political parties, judiciary, public administration and local self-government, prosecution authorities and institutions in charge of supervision, economic and financial system, non-governmental sectors and media. Continuous efforts will be made in order to further enhance already significantly improved cooperation between the SCPC and state bodies.

Drafting of the **Action Plan for Fight against Corruption** of the Government complementary with the State Programme will be a novelty in providing comprehensive approach to the fight against corruption. It will demonstrate the commitment of the Government towards undertaking measures and activities for suppression of corruption, including actual steps for detecting the sources of corruption in the performance of public functions in each area. Consistent implementation of the Plan for curbing discretion rights of the public officials is included within this framework.

Furthermore, key determination is to improve the cooperation among all prosecution authorities, whereupon the Public Prosecutor’s Office takes the lead in the investigation process. Furthermore the focus will be on the implementation of already signed memoranda for cooperation.

An outcome of an efficient anti-corruption policy will be appropriate number of delivered and enforced judgements by the judiciary, for which judicial commitment is indispensable as well.

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

The constitutional and legal framework is in accordance with the European Convention for the Protection of Human Rights and Fundamental Freedoms and its additional protocols, which has been in force in the Republic of Macedonia since 1997.

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<sup>1</sup> Law Amending the Law on Weapons, Law Amending the Law on control of the State Border, Law Amending the Law on Travel Documents, Law Amending the Law on Identification Card, Law Amending the Law on Personal Register, Law Amending the Law on Personal Name Law Amending the Law on Reporting the Dwellings and Residence of Citizen, Law on Road Traffic Safety, Law on Violation of Public Law and Order, Law Amending the Law on Firefighting, Law Amending the Law on Aliens, Law Amending the Law on Asylum and Temporary Protection, Law Amending the Law on Special Rights of the Members of Security Forces and Members of their Families, Law Amending the Law on Securing Persons and Property, Law Amending the Law on Detective Activity, Law Amending the Law on Public Meetings, Law Amending the Law on Storing and Protection against Flammable Liquids and Gases, Law Amending the Law on Protection against Explosive Materials and Law Amending the Law on Trade in Explosive materials.

In the course of 2006 significant efforts were made for the regular delivery of the **Reports on International Conventions**. The core document for the Republic of Macedonia upon all UN Conventions, amended and updated regarding the version of 1997, was deposited in the UN Secretariat of the High Commissioner for Human Rights in 2006. The Combined Second and Third Report on the International Covenant for Civil and Political Rights were delivered to the Committee for Human Rights on 13 October 2006. The Combined Fourth, Fifth, Sixth and Seventh Report on the Convention for Elimination of All Forms of Racial Discrimination was delivered on 17 February 2006. The Second and Third Report on the Convention against Torture were forwarded to the competent Committee on 31 March 2006.

In 2007 an **Analysis on the Realisation of the Recommendations received upon the preparation of periodical reports on the ratified UN human rights conventions** will be drafted. The same refers to the Opinion of the FCPNM Advisory Committee and the recommendations of the Committee against Torture concerning the visit realised in May 2006.

Unofficially, the total number of appeals with regard to the ratification of the European Convention for Human Rights and Fundamental Freedoms by the Assembly of the Republic of Macedonia on 10.04.1997, to December 2006 inclusive, is 726. Pursuant to the admission criteria laid down in Article 35 of the Convention, to December 2006 inclusive, the European Court of Human Rights forwarded a total of 76 responsive cases to the Government of the Republic of Macedonia. In the course of 2006, 29 cases were delivered. From the 76 cases communicated, 29 are completed, 16 of which with sentences and 13 with decisions by the European Court. Whereupon, the European Court confirmed that the Republic of Macedonia has violated the Convention in 12 verdicts. According to 4 verdicts the Court has not confirmed violation of the human rights, and with 11 verdicts the European Court has announced the appeals of the applicant as fully ill-founded and has dismissed the proceedings.

Case law of the European Court of Human Rights shall be incorporated in the curriculum of the Academy for Training of Judges and Public Prosecutors. To ensure continuous follow-up of the case law of the ECHR, referent cases of the European Court of Human Rights in Strasbourg will be published and specialised training will be carried out on the judicial practice of the ECHR in specific areas.

In 2006 the **Inter-Ministerial Body for Human Rights** was established headed by representative of the Ministry of Justice. During 2007, this Body will intensify its operation focused to strengthening the mutual coordination in the field of human rights of all Ministries and bodies in GRM, information and data exchange, and realisation of recommendations included in the reports of the referent committees of the United Nations, the Council of Europe and of other international organisations, provision of proposals aimed at improving the legal regulation in the field of human rights as well as provision of other proposals to GRM important for the human rights in the Republic of Macedonia.

### **Civil and Political Rights**

**The Criminal Code**, in line with the judicial practice of the European Court of Human Rights, was amended in 2006 by repealing the penalty of imprisonment for the criminal acts of libel and insult.

In the course of 2006, the provision on mandatory detention in case of suspicion for a crime for which a life imprisonment sentence may be pronounced from the **Law on Criminal Procedure** was repealed.

During 2007 it is envisaged that analysis of the provisions of the **Criminal Code and the Law on Criminal Procedure**, from the aspect of their compliance with EU legislation and the case law of the European Court of Human Rights will be conducted, setting grounds for preparation of proposals for amendment. Steps will be taken for amendments of the Law on Criminal Procedure for redefinition of the provisions concerning proceeding protection of the witnesses in order to ensure that safety of vulnerable witnesses is suitably balanced with the defendant's right to defence. Furthermore, the following issues shall be taken into consideration: possible review of the definition of rape in context of family violence and sexual abuse, as well as concerning the procedure concerning the visit of the persons in detention by the Committee against Torture.

It is envisaged that a system for provision of legal aid is established funded by the state. **Law on Free Legal Assistance** shall be adopted in compliance with the European Convention for Human Rights (ECHR) and European standards.

The Republic of Macedonia has signed the Convention on the Protection of Human Rights and Dignity of the Human Being with Regard to the Application of **Biology and Medicine** and the two Additional Protocols on the prohibition of Cloning of Human Beings and Transplantation of Organs and Tissues of Human Origin. The Republic of Macedonia will ratify this Convention by the end of 2007.

**The definition of torture referred to in Article 142** of the Criminal Code of the Republic of Macedonia is entirely in compliance with the definition included in the UN Convention against Torture and other Cruel, Inhuman or Degrading Treatment or Punishment. On 1 September 2006 the Republic of Macedonia signed the **Facultative Protocol to the Convention against Torture**. The Sector for Professional Standards within the Ministry of Interior demonstrates growth in the detection and sanctioning of the cases of unprofessional treatment of the police officers. In 2006, this Sector dealt with 1400 cases. From 2006,

for the purpose of monitoring this dynamics the MOI shall communicate to the Government semi-annual reports for the cases of abuse of official duty.

With regard to adherence to the legal framework on prohibition, prevention and sanctioning the torture and degrading treatment, training on human rights shall be carried out in all law enforcement bodies. The recommendations of the visit of the Committee against torture delivered following the visit realised in May 2006 will be fully implemented.

The Law on Police of 2006 enhanced the legal framework for application of the police competences with regard to collection of information, summoning and apprehension. Pursuant to the Law on Police, when collecting information, citizens are not obliged to provide the information requested by the police officer. The police is authorised to summon citizens by court invitation only within the period from 06.00 to 22.00, and the court invitation, among others, must include the reason for summon as well as legal advice on the right to attorney in the police procedure. A notice is prepared for the performed summon and talk.

For the purpose of **citizen information** on their rights and freedoms, in all police stations, posters on human rights and freedoms of persons within the police procedure are placed on visible points on Macedonian, Albanian, Serbian, Turkish, Roma, Vlach and English language. On visible points in all police stations a poster on basic principles of the Ethic Police Code is placed and 6.000 copies of pamphlets – *Your Rights* in the Police Procedure have been distributed.

In 2007 comprehensive training shall be carried out for employees in the Sector for Internal Control, Professional Standards and Internal Audit in line with the Programme for Permanent Training of Employees. In the first half of 2007 general and specialised training on human freedoms, rights and police shall be carried out. In addition to the international documents, within framework of the specialised training, specific subjects related solely to the respect of fundamental human freedoms and rights by the police officers in the performance of their police work shall be treated such as issues of identification, inspection, search, summon, apprehension, retention, deprivation and in particular application of restrain. Furthermore, training on communication skills and talk conduct with persons shall be carried out. For the purpose of strengthening the cooperation with Ombudsman and the civil sector, training shall be carried out for the employees in the Sector with the Ombudsman as well as with the NGOs representatives on issues in the sphere of human freedoms and rights in the second half of 2007.

**The right to respect private and family life and inviolability of the home** is guaranteed under a number of Articles referred to in the Constitution. **Article 25** guarantees in general terms the respect of the privacy of the individual's personal and family life and his/her dignity and reputation. In 2006 the Law on Interception of Communications was adopted, which enables possible derogation from the right to invulnerability of all forms of communication in procedures determined by law, if necessary due to prevention or disclosure criminal acts, conduct of criminal procedure or for the interest of the defence.

In 2007 the existing concession contracts shall be adjusted, i.e. transfer from concessions to licenses and the Strategy for Development of Broadcasting Activity shall be drafted and adopted for the purpose of implementation of the Law on Broadcasting Activity. Training to public and private broadcasting operators on implementation of the Law on Broadcasting Activity and its bylaws will be delivered.

In 2006 the **Law on Free access to Public Information** was adopted. The implementation of this Law has facilitated high level of transparency and openness in the operation of information holders as well as citizens' insight in the public information. Commission for Protection of the Right to Access to Private Information has been established under this Law, which is independent in its functioning and decision-making.

The amendments of the **Law on Military Service in the Army of the Republic of Macedonia** of 2005 have repealed homosexuality as a violation of the military discipline. **The Law on Labour Relations** prohibits discrimination on sexual orientation basis.

The working text of the **Law on Religious Communities and Groups** has been forwarded to the relevant international institutions for opinions.

Article 20 of the Constitution guarantees **freedom of association** to the citizens for the purpose of exercise and protection of their political, economic, social, culture and other rights and convictions. The Law on Associations of Citizens and Foundations of 1998 regulates the terms and conditions and the procedure on establishing, registration, operation and discontinuation of associations of citizens and foundations.

The Law Amending the **Law on Associations of Citizens and Foundations** is aligned with the Law on One-Stop-Shop System through transferring the Associations Register from the courts to the Central Register. Moreover, the Law is being aligned with the Law on Misdemeanours. By May 2007, it is planned to amend the Decision on Distribution and Drafting Recommendations for Transparent Criteria and Procedures for funding the Associations of Citizens and Foundations by the State.

In 2008 a **new Law on Associations of Citizens and Foundations** shall be adopted introducing the category of organisations of public interest and additional amendments focused to enhancement of the status of non-governmental associations. For the purpose of strengthening the cooperation between the governmental and non-governmental sector, Unit for Cooperation with Non-governmental Organisations was established within the General Secretariat of the Government, as a formal institutional mechanism for consultations between the Government and the citizen organisations. In the course of 2006 the Government of the Republic of Macedonia adopted the Strategy for Cooperation of the Government with the Non-Governmental Sector (2007-2011), with Action Plan for Implementation.

### **Economic and Social Rights**

**The rights of the child** are contained in Article 42 referred to in the Constitution and Article 40(4) which stipulates special protection of parentless children and children without parental care. **The National Action Plan for Children** of the Republic of Macedonia of 2005 has introduced standards to enable protection and improvement of the conditions for equitable access of each child to fundamental rights for whose implementation a coordinative body has been established.

In 2007 the **Law on Protection of Children** shall be amended for the purpose of reconstructing the system for children's compensations in the Republic of Macedonia (improvement of targeting users of child support) and its harmonisation with the European and international instruments for children protection.

**The Law on Juvenile Justice** to be adopted in 2007 will implement the provisions of the UN Convention on the Rights of the Children and the Protocol, codifying the criminal legislation for juveniles.

In 2006 the Law on Equal Opportunities between Women and Men was adopted. The definition of the term equal possibilities is transposed from the UN Convention for Elimination of All Forms of Discrimination of Women. The Law is harmonised with Council Directive 97/80/EC of 15 December 1997 regarding the burden of proof in case of gender discrimination as well as with Council Directive 2002/73/EC on implementation of the approach for equal treatment of men and women. According to the Law so far over 40 commissions for equal opportunities on local level have been established. **The National Plan for Gender Equality** of 2002 has operationalised the provisions referred to in the Constitution of the Republic of Macedonia for equality of citizens regardless the gender and special protection of motherhood.

The review of the **National Action Plan for Gender Equality** will be completed by the end of 2007.

In the second half of 2007 the Law on Family shall be amended for the purpose enhancement of the system for protection of victims of family violence and National Programme for Family Violence shall be drafted.

Pursuant to the obligation of the Republic of Macedonia and the programme of the European Committee for Social Rights an annual report on the European Social Charter shall be drafted and submitted. The report shall refer to Article 1 (right to work) and Article 15 (right to professional education and professional and social rehabilitation of persons with disability).

In November 2006, the Rulebook on Norms and Standards for establishing and commencing the work of institutions for social protection – Day-care Centres for persons with intellectual and physical disabilities was adopted. With regard to the measures for protection from family violence, so far 6 Centres for Protection and Fostering the Victims of Family Violence have been commenced operation. The Ministry of Labour and Social Policy, Ministry of Interior and Ministry of Health in cooperation with local non-governmental organisations are implementing the Project on Building Positive Practises in the Treatment of Family Violence for the period 2006-2008.

The National Strategy for **Deinstitutionalisation** of the institutions for children fostering shall be adopted by the end of 2007.

### **Minority Rights, Protection of Minorities and Cultural Rights**

**The Ohrid Framework Agreement** constitutes a comprehensive framework for building integrated multi-ethnic society guarantying peace, stability and democratic development of the Republic of Macedonia. The Ohrid Framework Agreement has confirmed the sovereignty, territorial integrity and unitary character of the country, regained the stability in its whole territory, developing mechanisms for further confidence-building. The Ohrid Framework Agreement entails substantial modifications in the constitutional set-up and legislation aimed at significant promotion of the rights of the communities which shall discourage the motives for ethnic-based conflicts in the Macedonian society. Furthermore, the principles of equitable representation and enhanced inclusion in the public life constitute the bases for reintegration of the Macedonian society and strengthening its cohesion.

Equitable presentation of the citizens belonging to all communities in the public administration bodies and in other public institutions at all levels under the 2001 amendments of the Constitution is built-in as one of the foundation values of the constitutional order.



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

In the period following the signing of the Framework Agreement, The Government of the Republic of Macedonia introduced special policies aimed at practical improvement of the equitable representation of the non-majority communities in the public administration, with special emphasis on the police and army structure. Progress in the representation of the non-majority communities in public administration and public enterprises has been achieved. The general level of representation with budget beneficiaries in January 2007 estimates 22.2% (Albanian 16.9%, Serbs 1.6%, Turkish 1.5%, Roma 0.6%, Vlachos 0.5%, Bosnians 0.3%, and other communities 0.8%). In judiciary, the principle of equitable representation in the election of judges and prosecutors as well as the structure of the Judicial Council is stipulated in the new laws. Achieving equitable representation of non-majority communities in the public administration has been set as one of the priorities of the Government of the Republic of Macedonia for the upcoming period.

In November 2006, the Government of the Republic of Macedonia established a Committee of Ministers for monitoring and coordination of the activities referring to the promotion of equitable representation of the members of communities in the administration bodies and in public enterprises, which is composed of three Vice-presidents of the Government and headed by the Vice-president of the Government in charge of implementation of the Ohrid Framework Agreement.

In view of further implementation of the Ohrid Framework Agreement and promotion of the principle of equitable representation, in January 2007 the Strategy for Equitable Representation of the Members of the Non-Majority Communities was adopted, and for appropriate implementation an Action Plan will be adopted. The Sector for Implementation of the Ohrid Framework Agreement created a logo and web-site at [www.siofa.gov.mk](http://www.siofa.gov.mk).

Training and employment of 600 candidates for professional administrative civil servants was carried out with the support of CARDS 2002 - PACE I Project. The second phase of training for 100 translators within PACE II Project was completed in July 2006. With the supplementary Budget for 2006 additional funds for employment were provided and by the end of 2006 the Government delivered a Decision on secondment of the translators, who have successfully completed the training, in the courts and state administrative bodies.

In the 2007 Budget of the Republic of Macedonia three and half times more assets (MKD 194,500,000.00) have been foreseen in comparison to that of 2006 in the K5 Programme –equitable representation of non-majority communities in the Republic of Macedonia.

The total number of students belonging to non-majority communities on the three state universities is gradually increasing to reach 24% in the 2005/2006 academic year compared to 20,6% in 2004/2005. The SEE University 72% of the total number of 4800 enrolled students are members of non-majority communities in the Republic of Macedonia.

The enrolment quotas at the state universities - of the students belonging to the communities - Ss Cyril and Methodius in Skopje and St Clement Ohridski in Bitola were determined for the 2006/07 academic year. In addition, additional quotas were determined for enrolment of the students belonging to non-majority communities at the Police Academy in Skopje, estimating 25% of the total number of enrolled students in the first year.

The National Strategy for the Roma and Action Plan for the Roma Decade concerning Roma inclusion ensure realisation of increased integration of the Roma in the mainstreams of Macedonian society, decline of poverty among the Roma as the most marginal group and realisation of long-term development of the Roma community. The municipalities with major number of Roma population in the previous period adapted those plans on local level. So far, the local plans for the Roma inclusion have been drafted in Bitola and Kumanovo. In 2006, the Ministry of Labour and Social Policy in cooperation with the Roma Educational Fund, UNICEF and local authorities commenced a project on promotion and support of the process of integration of the pre-school age Roma children.

Pursuant to the Strategy of the Roma in 2007 Action Plan for implementation in the field of welfare and social protection as well as Action Plan for the Roma women shall be drafted. In view of further implementation of the Strategy for the Roma Action Plans for implementation in the field of media, protection of human rights and political participation shall be drafted.

In 2007 eight (8) information centres for the Roma community shall commence in Skopje and 7 different cities in the whole territory of the Republic of Macedonia. The centres will inform the citizens of the Roma community on improved achievement of their needs and rights and will work on promotion and strengthening of the cooperation with the local authority and non-governmental sector. The operation of the information centres is funded by the Ministry of Labour and Social policy and local non-governmental organisations.



The Second Report upon the Framework Convention of the National Minorities of the Council of Europe was delivered to the Advisory Committee of the Council of Europe in June 2006. The Delegation of the Advisory Committee stayed in the Republic of Macedonia from 26 to 29 November 2006.

Additional efforts will be put for the full return of internally displaced persons and refugees and for entire implementation of the Programme for revitalisation of the former crisis regions.

The commitment for consistent implementation of the legal arrangements relating to the use of languages of the non-majority communities will be realised through strengthening the capacity for their implementation. Further employment of 99 trained translators distributed in the state administration bodies is in view of strengthening of these capacities.

### **1.3 REGIONAL ISSUES AND INTERNATIONAL OBLIGATIONS**

The Republic of Macedonia, within the frame of its efforts for promotion of the regional cooperation, shall continue to:

- Initiate informal meetings of the Ministers for foreign affairs of the countries within the Stabilisation and Association Process with the participation of a Minister for Foreign Affairs of an EU member-state
- Implement the set priorities as a full-fledged member of the Process of Cooperation in South-East Europe (SEEC), the Stability Pact of SEE (SP), the Central European Initiative (CEI), the SECI Centre for Fight Against Organised Crime seated in Bucharest
- Actively participate in CEFTA (according to the Agreement on Amending and Access in the Central European Free Trade Agreement, ratified by the RM)
- Actively participate in the SEE Energy Community (SEEEC)
- Actively participate in the initiatives related to SEE Core Transport Network.

The Republic of Macedonia shall continue to be actively involved in the process of defining the modalities for future regional cooperation, attaching great importance to the “regional property” and the commitment that the SEEC should remain the political framework for future regional cooperation. The Republic of Macedonia submitted its candidature for the seat of the Secretariat for Regional Parliamentary Cooperation to be located in Skopje, and it also proposes the establishment of a Centre for Electro-Energy Interconnections seated in Skopje. Furthermore, the Republic of Macedonia considers that the main decisions and documents related to the future Council for Regional Cooperation and the amendments of the SEEC Charter; which will reflect their institutional relations should be adopted during the SEEC Summit, which will take place in Zagreb (May 2007)- at the same time with the SP Regional Table.

The country expressed its willingness for the administrative structures of the Regional School for Public Administration (ReSPA) established with the Protocol for Cooperation concerning training and education of public administration in SEE according to the Thessalonica Agenda to be seated in the Republic of Macedonia. .

The cooperation within the Euro regions has been intensified. Even though the Statute of the Euro region Ohrid-Prespa has not been signed yet, concrete activities on-site are ongoing. The Euro region will be set up through the establishment of an Executive Committee upon completion of the Albanian and Greek Association registration. The Executive Committee will be responsible for the implementation of the Joint Programme envisaging the realisation of concrete projects in border regions of all three countries. Moreover, the Republic of Macedonia will intensify its participation in the regional activities in the area of justice and home affairs, including the Forum EU – Western Balkan.

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

Bilateral relations with the countries of the region in the past period were characterised by intensive political dialogue on different levels as well as deepen cooperation in various fields.

The Republic of Macedonia will continue to upgrade the relations with the **Hellenic Republic** which have marked a significant progress following the signing of the Interim Agreement in September 1995 (intensive economic and other cooperation – the Hellenic Republic is the most important investment and third external-trade partner of the Republic of Macedonia, positive trend in the official bilateral contacts). The Republic of Macedonia will continue the dialogue on the proposed draft-agreements, the signing of which has been postponed by the Greek party and it will also participate in the announced activities within the framework of the Greek Plan for Economic reconstruction of the Balkans.

An open issue in the relations of the Republic of Macedonia and Greece is the dispute over the name. The Republic of Macedonia respects its obligations taken under the UN Security Council Resolution 817(1993) and supports the process of continuation of the dialogue about this issue within the UN, which should be lead in a constructive and friendly atmosphere of mutual respect, in the spirit of good neighbourly cooperation. The Republic of Macedonia holds a firm position for preservation of the constitutional name

of the Republic of Macedonia in its entire internal and international communications, and it is ready to seek for a mutually acceptable formula in the bilateral relations of the two countries.

Steady relations and continuous political dialogue established with the **Republic of Bulgaria** will further intensify. In addition to the economic cooperation, the two countries will continue to develop their cross-border cooperation, cooperation in the field of defence, home affairs, judiciary, transport and communications, agriculture, forestry and water economy, local self-government, culture, environment protection, and etc. In 2007 regulation of the issues related to terrain cleaning, renewal and replacement of the border signs along the state border between the Republic of Macedonia and the Republic of Bulgaria will commence. The contractual framework of the relations has been completed to a great extent. The Republic of Bulgaria has proposed the signing of a new Agreement on Economic Cooperation due to its accession to the EU from 1 January 2007. The new Agreement is to replace the existing Agreement on Trade Cooperation of October 1999. According to the Memorandum of Cooperation in European and Euro-Atlantic Integration concluded in August 2004, annual Programs for Cooperation are being drafted, which are being successfully realised. The intensification of the regional cooperation related to the Euro regions and infrastructural projects of mutual interest such as Corridor 8, Euro region Skopje-Nis-Sofia and etc. is envisaged for the forthcoming period. At the end of January 2007 Three-partite Convention for the AMBO Trans Balkan Oil Pipeline Project was signed.

The relations with the **Republic of Albania** are good and dynamic, primarily on bilateral political level and the cooperation in the field of transport, defence, security, customs, culture, education, and etc is developing. Following the two-year break a meeting of the mixed commission on demarcation, maintenance and reconstruction of the state border between the Republic of Macedonia and Republic of Albania (27 January 2007) was held. The conclusion of the Agreement on Cross-border Police Cooperation, Agreement on Good-neighbouring Relations and the Agreement on Railroad Connection is foreseen in the next period. The Republic of Macedonia is also interested in conclusion of an Agreement on Mutual Travel of Citizens of both countries and it will soon deliver to the Republic of Albania a draft text of the Agreement. The cooperation concerning the exchange of experiences in the Euro integration process is ongoing under the signed bilateral Memorandum. In order to efficiently implement the SAA provisions related to the development of regional cooperation, for 2007 it is envisaged to initiate a procedure for conclusion of an Agreement on Cooperation under SAA.

The Joint Macedonian-Albanian Committee for the Ohrid lake basin created according to the Agreement for Protection and Substantial Development of the Ohrid Lake and its Watershed of 2004 will continue with its activities. As of 1 January 2007, the Republic of Macedonia and Republic of Albania will establish Free Trade Area in the industrial part under the Agreement on Free Trade signed in March 2002.

The relations with the **Republic of Serbia** are maintained on good level. The Agreement on Protection of the Macedonian National Minority in Serbia and Montenegro and the Serbian and Montenegrin National Minority in RM commenced with its practical implementation. The intensive cooperation in different areas will continue, and on economic plan Serbia is still the major external-trade partner of the country. The Agreement on Free Trade between the two countries entered into force on 1 June 2006. The Republic of Macedonia supports the efforts of Serbia for a faster integration in the European and Euro-Atlantic processes and it submitted an initiative for signing of a Memorandum for Cooperation between the Government of the Republic of Macedonia and the Government of Serbia in the field of Euro-integration with a draft Memorandum for Cooperation.

The demarcation of the border is pending only in the border section with Kosovo. For the forthcoming period the opening of two new border crossing points for small border circulation is planned.

The Republic of Macedonia continues to monitor with special attention the development of the situation in **Kosovo**, supporting the efforts of the international community for finalisation of the political process for the determination of the future status of Kosovo. It supports the proposal of the Special Envoy of the UN Secretary General M. Ahtisaari as a good basis for the solution of the future status of Kosovo in line with the basic principles of the Contact Group for Kosovo. The solution for the future status of Kosovo is to be endorsed by the UN Security Council. The Republic of Macedonia is particularly satisfied how the issue of the technical demarcation of the state border in the part of Kosovo is regulated with the Ahtisaari's proposal and it has expressed its preparedness to undertake all the necessary activities for the implementation of the proposed solution in the foreseen deadline upon the adoption thereto.

Trade relations with Kosovo are developing and their continuous increase is expected on the basis of the Interim Agreement on Free Trade between RM and UNMIK, applicable as of 2 February 2006 providing for a high degree of liberalisation of the entire trade. The Macedonian party will continue with its efforts to promote the cooperation in some of the necessary segments of common interest, in particular concerning the facilitation of the issues of practical interest for the citizens, according to the protocols already concluded with UNMIK related to different areas such as education and science, avoiding dual taxation and investment protection, customs and police cooperation, transfer of sentenced persons and railway transport regulations, and etc. The Interim Protocol for Cooperation in the areas of local self-government was signed by the Ministry of Local Self-Government and the interim authorities of Kosovo. It has been agreed that Kosovo will particularly take care about the status and rights of the Gorans in Kosovo.

Following the democratically expressed will of the Montenegrins for independence of Montenegro, the Republic of Macedonia on 12.06.2006 adopted a decision recognising the independent state of Montenegro. The Republic of Macedonia had previously developed cooperation with Montenegro in a number of areas and as a result of that cooperation several agreements in the area of justice, health and environment were signed. The General Consulate of the Republic of Macedonia in Podgorica commenced its activities in September 2005, which upon the independence was enhanced to the level of Embassy.

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

Relations and cooperation with the **Republic of Croatia** are continuously improving in all areas of mutual interest, in particular in view of the two countries' common European and Euro-Atlantic aspirations. The first meeting of the Joint committee established according to the Agreement on Co-operation in the context of EU accession which took place in January 2007 has additionally strengthened the grounds for cooperation, in particular in the EU accession process. Agreement has been reached in view of the conclusion of an Agreement on Protection of the Macedonian Minority in the Republic of Croatia and of the Croatian Minority in the Republic of Macedonia.

### **Cooperation with the International Criminal Tribunal for former Yugoslavia**

The Republic of Macedonia maintains full cooperation with the **International Criminal Tribunal for former Yugoslavia**. The Government of the RM is committed to maintain a close cooperation with the Tribunal. For that purpose, the Ministry of Justice drafted a Law on Cooperation with the International Criminal Tribunal for former Yugoslavia in the text of which the comments and the recommendations of the Tribunal and OSCE are incorporated. The Law is currently ongoing parliamentary procedure and it is expected to be adopted by the Assembly in the course of 2007. In addition, it has been agreed that the process of gradual return of the cases will commence in the second half of 2007. The Republic of Macedonia has undertaken a number of activities for the purpose of meeting the standards for return of the four cases from the Tribunal. On 03.11.2006, a new courtroom commenced its work in the Court of First Instance Skopje I with modern audio and video equipment enabling hearing of witnesses with hidden identity and modified voice, and the prison cells in the Penitentiary Institution Skopje – Skopje have been equipped according to the Tribunal standards. Furthermore, judges and public prosecutors will be trained for the application of the international criminal norms and rules of the Tribunal. The judges and public prosecutors from all levels of competence, with mixed ethnic composition, are nominated by the Presidents of courts and Public Prosecutor's Offices of RM. Part of the nominated judges and prosecutors effectuated a study visit to the Bosnian judicial authorities concerning issues in this area, and for the first half of 2007 several visits to the Tribunal are planned. In the first half of 2007, the Academy for Training of Judges and Public Prosecutors is going to organise seminars related to this subject.

### **International Criminal Court**

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

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

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

## 2 ECONOMIC CRITERIA

### Towards meeting the Copenhagen economic criteria

During the past 15 years, the Republic of Macedonia has achieved significant progress towards meeting the Copenhagen economic criteria. As explained in the National Strategy for EU Integration of the Republic of Macedonia, the country is committed to continuing this process and it expects to meet all aspects of the criteria in the next medium-term period.

The Chapter comprises three sub-chapters. The *Introduction* gives a short review of the recent macroeconomic development of the Republic of Macedonia. The next two sub-chapters state briefly the main policy activities/measures to be undertaken by the authorities so as to fully meet the Copenhagen economic criteria. These policy activities/measures are also aimed at responding to the short-term and medium-term economic priorities defined in the European Partnership. *The second sub-chapter* presents policy activities/measures focused on meeting the short-term priorities of the European Partnership, to be introduced so as to strengthen the functioning market economy. *The third sub-chapter* is focused on policy activities/measures with regard to medium-term priorities set in the European Partnership, aimed at enhancing the capacity of the country to successfully deal with the competitive pressure and market forces in the EU.

### INTRODUCTION

After the realised 4.1% of GDP growth in 2004, economic activity in the Republic of Macedonia continued developing with the same intensity in 2005 as well, reaching 3.8% of GDP growth rate. At the same time, the average inflation rate (measures through the costs of living) remained very low at 0.5%. The realisation of these two macroeconomic aggregates is fully in accordance with the early-year projections, with slight deviation in inflation rate, initially projected at 1.2%.

Unlike 2004, when the industrial production had negative contribution to GDP growth, in 2005 the industry was the main driver of the intensified economic activity. Although at the beginning of the year the growth in this sector was projected between 5% and 5.5%, realisations at the end of the year showed 7% growth of the industrial activity, significantly above the projected level. Thereby, growth was not concentrated in few sectors; on the contrary, 70% of the industrial sectors experienced positive results in 2005. Still, the highest growth was registered in the traditional exporting sectors, such as base metals industry (33.4% growth), food industry, production of construction materials (21.4%), oil industry, production of electrical machines etc. Such production growth was also supported by the restarting of several key industrial facilities at the end of 2004 as well as by the generally improved business climate in the country.

With regard to the other sectors of the economy, higher growth compared to the projections was registered in trade (7.9%), transport and communications (6.1%), tourism (6.6%) and the financial sector. Negative trends were registered only in construction, where delayed construction of major infrastructure projects caused negative growth rate in 2005. Similar to the previous years, the GDP structure remained almost unchanged, with industry accounting for almost one quarter (25%), while regarding other sectors, the most significant share of approximately 13% includes trade, financial intermediation and public sector, followed by agriculture with 10%.

Table 1: Growth rates and contribution in GDP growth by economic sector

	Growth rate (%)		Contribution to growth	
	2004	2005	2004	2005
Agriculture	6,2	0,2	0,7	0,4
Industry	-0,8	4,4	-0,2	1,1
Services	5,3	1,8	2,8	2,2
<b>GDP</b>	<b>4,1</b>	<b>3,8</b>	<b>4,1</b>	<b>3,8</b>

Source: State Statistical Office and calculations of the Ministry of Finance

On the expenditure side, growth in 2005 was basically driven by the higher final consumption and positive contribution from net export, accounting for 2.0 and 1.6 percentage points respectively in the total GDP growth of 3.8%. At the same time, as a result of the slowed-down investment activity, contribution of gross investments in the overall growth was low, amounting to around 0.3 percentage points. In the final consumption, growth was driven by higher private consumption which, in turn, driven by salary growth, higher transfers and higher credits to the private sector, grew by almost 4% on annual level. Within these frameworks, the disciplined fiscal policy and budget surplus resulted in almost neutral contribution of public consumption in the total GDP growth.

According to the preliminary data from the State Statistical Office, quarterly data on 2006 GDP show real growth by 2.8% in the first three quarters of the year. This growth was mainly a result of the growth in services, whereby the trade grew by 5.4%, and transport and communications by 6.9%. Still, performance in the overall real sector is somewhat lower than projected due to the low industrial growth and low growth in the construction sector. Thus, in 2006 industrial production grew by 2.5%, while the projected annual growth was 4.1%. Thereby, more significant decline was registered in publishing (18%), furniture production industry (22%) and supply of electricity, water and gas (0.6%).

Table 2: Growth rates and contribution in GDP growth by economic sector

	2005				2005	2006			
	I	II	III	IV		I	II	III	I-IX 2006
Production side									
Agriculture	1,2	0,7	0,0	-1,0	0,2	0,9	0,8	0,5	0,7
<b>Industry</b>	2,3	10,5	3,5	1,7	4,4	0,5	1,6	4,2	2,1
<b>Services</b>	0,6	1,1	2,6	2,9	1,8	3,3	3,2	3,0	3,2
<b>GDP</b>	2,8	4,8	4,0	3,7	3,8	2,4	2,6	3,1	2,8

Having in mind the absence of comprehensive data on domestic consumption in the Republic of Macedonia, the analysis of the expenditure side of the GDP was made on the basis of high-quality assessments in accordance with the trends in the components of the domestic consumption, as well as of leading indicators, whereby such analysis points out that growth in 2006 was higher than the one calculated on the production side. Registered growth of public consumption in the three quarters of 2006, as well as the assumed growth of personal consumption on the basis of salary growth, higher crediting to the citizens, retail turnover, higher inflows with regard to private transfers, as well as higher import of consumer goods point to 4.5-5% growth of the final consumption in the first half and a positive contribution to GDP by approximately 5%. At the same time significant growth of investments in machines and equipment by 20.2% in the observed period points to a high positive share of gross investments in GDP growth. The risk in such assumption is posed by investments in construction, still lacking preliminary data, but taking into account the performance of construction in the three quarters of 2006 (only 0.3% growth), most probably, their growth is relatively low. On the basis of the preliminary data, export and import growth rates show negative contribution of net export to the GDP growth of approximately 2-2.5%.

Growth of the economic activity in 2006 caused growth in the trade volume, whereby export of goods grew by 17.6%, while the import grew by 16.6%. Such trends contributed to foreign trade deficit of approximately 14.7% compared to the one last year. Such situation is largely caused by the significant rise of oil price on the world stock markets, i.e. oil accounts with approximately 51% in the trade deficit growth.

Higher export and high inflow of private transfers in the past period resulted in lower deficit in the BOP current account and appreciation pressures on the denar exchange rate on the foreign exchange market. In order to maintain the stability of the denar nominal exchange rate to the euro, the observed period showed excess of net redemption of foreign currency on the foreign exchange market through the foreign exchange transactions of the NBRM.

Trends in the real effective exchange rate (REER) are significant indicator of the measurement of competitiveness of the national economy. Denar REER in the period 2001-2006 was relatively stable, showing that competitiveness of the exporters on the foreign markets is maintained, resulting mainly from the lower prices in the national economy in relation to the most significant trade partners, whereby its level in 2006 was almost unchanged in relation to 2005. The competitiveness in relation to the most significant trade partners from the Eurozone (8 countries were included in the calculation) is also relatively stable, whereby in 2006, in conditions of lower prices in the Macedonian economy compared to the euro zone, slight appreciation of approximately 1% was of REER was registered.

Performance in the real sector and the intensification of economic activity positively reflected on the social aspect, i.e. labour market. Thus, in the third quarter of 2006 the employment rate grew by 3.5% compared to the same quarter last year and the unemployment rate declined by 0.6 percentage points. Still, taking into account the high unemployment in the Republic of Macedonia (35.9% in the third quarter of 2006), overcoming this problem requires higher GDP growth rates, mainly through micro-policies as well as intensification of active labour market policies.

**The existence of a functioning market economy.** Functioning market economy exists when there is relatively high level of harmonisation of the essential elements of the economic policy in the country, i.e. in the case of equilibrium between the supply and the demand through the free interplay of the market forces, implementation of a legal system, including regulation of ownership and in the case of established and developed financial system and absence of significant market barriers to entry in and exit.

*Broad political consensus on the essential elements of the economic policy* with regard to the key issues and interests of the Republic of Macedonia, such as: a) integration of the Republic of Macedonia into the EU and NATO; b) intensified economic development, job creation and poverty reduction; c) reforms in the judiciary that should strengthen the efficient and continuous enforcement of measures for fight against any form of crime, including organised crime and corruption; d) implementation of measures from the Framework Agreement; e) decentralisation; there is a broad consensus between the political parties. This can be confirmed by the fact that economic and political programmes of the biggest political parties in the country have very similar objectives with regard to these issues. Regardless whether the political party is in office or in opposition, there is no significant difference with regard to these strategic objectives and the initiatives for their achievement.

Broad support to the strategic priorities, objectives and initiatives of the Government was also ensured by the social partners: trade unions, as representatives of the workers, and economic chambers, as representatives of the employers. Regular meetings are held as well as public debates between the Government and the social partners.

There is also overall popular support to the EU accession. Aware that the process for EU membership would be lengthy and complex, the Government of the Republic of Macedonia launched a campaign for raising public awareness, focused on informing the citizens on the EU membership as well as on the conditions – political, economic, legal and institutional – the country should meet so as to become an EU member. The result of this campaign was shown in the last polls, where 91% of the population supported the EU accession.

Economic policies implemented so far in the Republic of Macedonia are aimed at macroeconomic stability. However, in the future, these activities of economic policy will be shifted towards structural reforms, aimed at job creation and reduction of external imbalance, while keeping the gains of the macroeconomic stabilisation. These objectives are fully compliant with the Copenhagen economic criteria.

During the last decade, the Republic of Macedonia closely cooperated with the multilateral financial institutions. The support by the IMF played an important role in the monetary policy and exchange rate policy, the fiscal consolidation, as well as in the implementation of prudent policies for supervision in the financial sector, while the World Bank and the EBRD are involved in the policymaking and implementation of policies for structural reforms. This cooperation was strengthened through the three-year Stand-By arrangement with the IMF and the three-year Programme Development Policy Loan of the World Bank, both signed in the second half of 2005. The new four-year strategy for partnership of the Republic of Macedonia with the World Bank is expected to be approved by the Board of Directors of the World Bank in March 2007.

Throughout the period of transition that the Republic of Macedonia undergoes, due to external and non-economic shocks, as well as due to lack of information and experience from the developed countries on the manner of functioning of the modern market economies and the absence of interaction between various social groups, part of the structural reforms were slow. The consequences therefrom are low level of competitiveness and profitability. Microeconomic reforms are a precondition for reaching the necessary level of functioning market economy. Trade unions and economic chambers are also aware of the need to intensify structural reforms. They agreed that intensifying these reforms is necessary and that the social dialogue should be strengthened. Recently approved Law on Labour Relations ensures a legal framework for strengthening of the cooperation between the social partners and is focused on establishing conditions for achieving agreement on the new collective agreements.

Most frequently asked question in the media, in addition to the process of decentralisation and transfer of competences to local government was regarding the Law on Labour Relations for which, after broad discussions, agreement was reached between social partners and political parties, taking into account that it contains experiences from European countries on enhancing the market flexibility as a measure to encourage demand for labour, and at the same time, raise the entry of foreign direct investments.

In order to establish efficient market economy, the process of preparation of regulations includes representatives of the business community and the Association of Trade Unions of the Republic of Macedonia. This is a continuous process aimed at growing into mandatory consultations of all interested parties in the preparation of the regulations adopted by the legislature.

There are realistic expectations that the broad consensus and the support by all social groups and political parties would continue and strengthen regarding the basic orientation of the Macedonian economy on medium term. The main joint orientation will continue to be the fulfilment of economic criteria for functioning of the market economy, encouraging economic growth, creating business climate as preconditions for facing the competitive pressure and market forces within the EU.

*Macroeconomic stability, including adequate price stability, and sustainable public finances and external accounts.* The Republic of Macedonia has achieved a solid level of macroeconomic stability after the internal security crisis in 2001. The low and predictable level of inflation, measured through the CPI (2000), is one of the main features of the Macedonian economy, with an average of 2.3% annually in the period 1996-2004. The country has also specific low levels of central budget and general budget deficits. This is a result of the significant fiscal consolidation made during the past three years. The central budget deficit was reduced from 5.3% of GDP in 2002 to a surplus of only 0.5% in 2005. With respect to the general government budget, the deficit of 5.6% of GDP in 2002 was reduced to the level of balanced budget with very low surplus of 0.3% of GDP in 2005. Such trends contributed to the Republic of Macedonia obtaining a positive rating by international credit rating agencies.

Although the country has achieved solid level of macroeconomic stability during the past years, through a combination of policies involving a prudent monetary and fiscal policy to *de facto* fixed exchange rate, this process was accompanied by modest economic growth (2.8% in 2003, 4.1% in 2004 and 3.8% in 2005) and a continuously high level of unemployment (over 35%). The country is also characterised with continuously high external imbalance, initially high trade deficit (trade deficit of 20.9% of GDP in 2004 and 18.3% of GDP in 2005 as well as current account deficit of 7.7% of GDP in 2004 and 1.4% of GDP in 2005). This reflects significantly high dependence on import, as well as the relatively low export, and its vulnerability is greater due to the high concentration of export in certain sectors. Experience showed that insufficient external competitiveness of Macedonian goods and services is caused largely by the unfavourable export structure, resulting in absence of reaction on the supply side. Weaknesses in growth, employment and external sector clearly point to the need to supplement the macroeconomic achievements with structural reforms focused on improvement of the business climate and competitiveness.

#### *Trends in the stock and structure of public debt within the set targets*

Total public debt as percentage of average GDP, calculated according to the GFS methodology, in December 2005 was 48.5%, while during 2006 it declined and in December 2006 it was 41.5% of the average GDP. The stock of public debt is within the Maastricht criterion on public debt, according to which the general government debt must not exceed 60% of GDP. This debt includes treasury bills for monetary purposes since they are issued by the Ministry of Finance.

According to the second methodology for calculation of public debt, i.e. pursuant to the Law on Public Debt of the Republic of Macedonia, total public debt as percentage of average GDP in December 2005 was 44.0%, and in December it was 35.9%.

As of December, the share of domestic and external debt in the total public debt was 39.7%, i.e. 60.3%. There is an upward trend for increase of the share of the domestic debt in the total public debt while the share of external debt declines. This trend means gradual reduction of the exchange rate risk for the debt portfolio of the Republic of Macedonia, through growth of the denar-denominated debt, and decline of the debt denominated in foreign currency.

From the aspect of the **interest structure**, there are positive changes in both domestic and external public debt. If we observe the objective of the strategy to increase the fixed interest rate portion of the debt, in the course of the analysed period, external public debt with fixed interest rate grows (the debt towards the London Club of Creditors that was with variable interest rate to be replaced with fixed interest rate debt through the issuance of the Eurobond). With regard to the domestic public debt, the fixed interest rate debt declined as a result of the issuance of treasury bills for monetary purposes, which are considered as variable interest rate debt.

The **currency structure** of the public debt also showed positive changes, also aimed at increasing the portion of public debt in national currency and the debt in euros. Thus, as a result of the buyback and the greater issuances of government securities and treasury bills for monetary purposes by the end of 2006, the debt in euros and denars, compared to 2005 grew by 3.5 percentage points, i.e. by 7.9 percentage points respectively, and public debt in US\$ declined by 11.6 percentage points.

#### *Prices and trade Liberalisation (equilibrium of demand and supply established by a free interplay of market forces)*

Prices of goods and services in the production and trade in the Republic of Macedonia are set freely according to the market conditions. Only in certain activities for which no conditions for competition on the market exist and for the purpose of preventing the monopolistic behaviour, the prices are still under administrative control.

In the process of transition towards market economy, total share of prices under administrative control was gradually reduced. This government measure for setting the ceiling prices in the period 2001-2003 covered only approximately 11% of the retail prices.

The Energy Regulatory Commission began working in 2004. As a result, prices of certain types of energy were transferred within its competences, thus significantly reducing the scope of administratively set ceiling prices by the government. Prices of telecommunication services also became subject to regulation by an appropriate regulatory body.

Since the beginning of April 2005, the possibility to apply the government measure for setting the ceiling prices ceased, so now the prices of certain products and services in the public sector are set by the management boards of the public enterprises. According to the Law on Public Enterprises, public enterprises are bound to obtain approval to raise their prices either from the Government or from the local community, depending on their founder. Hence, at the country level, prices are set for products and services in certain activities in the field of traffic (postal services, railway transport, and airport services) as well as in the field of growing and exploiting forests. At local level, by giving consent for the prices of certain services and products, prices are set in the production of raw water for water supply of the citizens and the economy, production and distribution of drinking water, wastewater treatment and drainage (excluding water treatment stations), maintenance of city and settlement sanitation (landfills) and funeral services.

The Government of the Republic of Macedonia undertook activities to liberalise the telecommunication sector through reducing the telecommunication costs and expand the access to the Internet, thus resulting in reduction of the costs of business. In January 2007, the Agency for Electronic Communications reduced interconnection prices by 300%. This facilitated competition in the fixed telephony and led to entry of the second fixed-line operator "On.Net", owned by the Slovenian Telecom. In February 2007 the procedure for international public tender for entry of a third mobile operator ended and the Austrian Company Mobilcom

was selected. This created conditions for reduction of the prices of the telecommunication services, as a fundamental gain of the progress in the process of liberalisation of this market.

With regard to the trade liberalisation, the Republic of Macedonia is committed to having an open economy so as to overcome the disadvantage of being a small market and to create institutional environment that would enable access to the Macedonian goods to foreign markets. The country began the trade liberalisation process in the 1990s, but it was intensified when it became a member of WTO in 2003 (Protocol for accession of the Republic of Macedonia to the WTO entered into force on April 4, 2003). The Republic of Macedonia has also signed 11 Free Trade Agreements. Such agreements facilitate the regional trade cooperation with the Southeast European countries, aimed at preparing the Republic of Macedonia for faster integration into the EU. Under The Law on Energy (Official Gazette of the Republic of Macedonia No. 63/2006) the electricity market is open for the consumers connected to the high-voltage grid (27% of the consumers). Under the Agreement on Energy Community which the Republic of Macedonia signed on 25 October 2005 and ratified on 29 May 2006, the electricity and natural gas market will be liberalised for all commercial consumers as of 1 January 2008 and for the households as of 1 January 2015.

On 19 December 2006 in Bucharest, under the auspices of the Stability Pact and the European Commission, the Agreement for Accession and Amendments to the Central European Free Trade Agreement (CEFTA) 2006 was signed by: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Montenegro, Moldova, Serbia, UNMIK Kosovo and Romania. This modern multilateral agreement in the SEE region, expected to enter into force in the course of 2007, extends the cooperation by including new areas such as services, public procurements, investments, protection of intellectual property and in a way enhances the quality of the regional cooperation. The new CEFTA 2006 will abolish export subsidies, reduce trade barriers and expand cumulation of the rules on the origin of goods. Hence, positive effect on trade is expected, especially the trade in agricultural and food products where export subsidies are most widely used and where non-tariff barriers are applied, as well as in the trade with industrial products by applying expanded cumulation by using raw materials from all CEFTA 2006 members and from the Member States of the European Communities, Turkey and EFTA. The Republic of Macedonia will be the host country of CEFTA in 2007.

*Ability of the financial sector to channel the savings towards productive investment (banking sector, non-banking financial institutions).* The transition towards market economy in the Republic of Macedonia, similar to other countries in transition, required dramatic change of the role of the financial sector, and the main challenge in this area was the development of an efficient system of financial markets and institutions. There are at least two reasons why the restructuring of the financial sector is of strategic significance for the country. First, without active financial markets, its economy has no alternative allocation mechanism. Second, through the financial institutions, the resources can be focused directly, from the net savers to the net users, in general, the enterprises and private sector.

Although the financial sector was significantly restructured in the course of the past years, it is still not internationally competitive in terms of diversified products, stability and costs, and remains small in both absolute and relative terms. Accordingly, the key objective in this area is to increase competition in the financial sector to the extent ensuring its successful financial integration in the global market for financial services. A well functioning financial system would raise the level of national savings, reduce the cost of capital for the enterprise sector and improve the scope and quality of the financial services available to savers and investors. Policy measures required for achieving the indicated prices in the financial sector, in general, comprise four groups; those being competition, restructuring, supervision and direct harmonisation of the legislation of the Republic of Macedonia with the EU acquis although the relative importance of each group of measures differs between the financial sub-sectors.

Policies related to the development of the banking sector in the short run are aimed at achieving two priorities: - market liberalisation and sector stability. In the first half of 2007 the laws would enable establishment of foreign banks in the Republic of Macedonia whereby the entry in the market through commercial presence shall be fully liberalised and harmonised with the acquis. At the same time, a legal framework shall be adopted for establishment of non-banking financial institutions. The stability of the banking sector will be strengthened through strengthening of the prudential standards and standards on efficient bank supervision, in accordance with the EU acquis and best international practices.

While the main priority in the area of banking is strengthening of the capacity of the banking supervision and the transition towards risk-based supervision in the insurance will be focused more on further legal harmonisation with the EU Directives (with special emphasis on the strict requirements for licenses and risk management rules) and enhanced supervision through establishment of adequate independent supervisory body having legal authority and instruments to implement timely and effective supervision of the insurance industry. Further expansion of the financial sector would be ensured through various policy measures, ensuring development of innovative financial instruments and non-banking financial institutions, such as credit companies, agricultural lenders, other small and micro lenders, investment funds etc.

*Banking.* Taking into account that banks dominate the financial sector in the Republic of Macedonia and are major source of credits to the economy, restructuring of the banking sector is at the top of the financial reforms. This sector experienced major changes in the past years so as to adjust to the competitive market conditions. Unlike many countries in transition, which in the second half of the 1990s faced banking crises, the Republic of Macedonia managed to avoid such crises. The same is also true for the years when the country suffered strong non-economic shocks - Kosovo crisis in 1999 and the crises caused by the internal conflict in 2001.



On 30 September 2006, the bank sector in the Republic of Macedonia comprised 18 private universal banks, 1 state-owned bank with specific functions which are no competition for the commercial banks and the 12 savings houses. From the aspect of the ownership structure, the share of the state-owned banks is below 5% of the total capital of the banking system, while foreign capital is present in 17 banks. In 8 of these banks, foreign owners represent the shareholding majority with 50.1% in the total capital, i.e. 52.5% of the total assets of the banking sector. Of these 8 banks, 4 are subsidiaries of foreign banks. In the course of 2005 and 2006 what has been noted is the greater interest of some reputable international banks to enter in certain banks in the Republic of Macedonia.

As of 31 December 2005 the level of financial intermediation, calculated as ratio to the total assets, gross credits and total deposits in relation to GDP of the Republic of Macedonia grew and it is 49.4%, 24.2% and 34.5%, respectively. As a comparison, on 31 December 2004 these indicators were 44.6%, 21.7% and 31.1%, respectively. Still the level of bank intermediation in the country is still fairly low if compared to the CE countries that became EU members recently. Financial intermediation, as a ratio between total assets and GDP, as of 31 December 2004 was 91.4% in Slovenia, 60.9% in Poland and 99.8% in the Czech Republic on 31 December 2003. Still, on 31 December 2004 the level of financial intermediation (as assets to GDP ratio) in the Republic of Macedonia was higher compared to Romania (38.3%), which shall become member of the EU as of 2007. As of 30 September 2006 inclusive, total assets of the banks in the Republic of Macedonia amounted to Denar 157.8 billion, while bank capital amounted to Denar 21.7 billion.

Results of the banking sector in the Republic of Macedonia are very good. This can be confirmed by the greater confidence by the population reflected through the growth of saving. At the end of 2005, the deposit base reached a level of Denar 98 billion and grew by 19% compared to 31 December 2004. The level of deposits from non-financial entities continues to rise in 2006 as well, and on 30 September 2006 it reached the highest level since the monetary independence of the Republic of Macedonia and amounted to Denar 113.2 billion, which is annual growth by 23.6%. The positive results of the Macedonian bank sector also reflect its profitability indicators. In 2005, the sector showed positive financial results of Denar 1.7 billion, 1.3% return on assets (ROA) and 6.3% return on equity (ROE). For the first nine months of 2006 the profit was Denar 1.9 billion, similar to the profit in 2005. The return on assets, i.e. return on equity for the first nine months of 2006 was 1.7%, i.e. 11.1%, respectively.

Strengthening of the capacity of bank supervision plays an important role in increasing the stability of the bank sector. The National Bank of the Republic of Macedonia, as regulatory body of the bank sector, plays this role on the basis of the provisions under the Law on the National Bank and the Banking Law. The activities of the National Bank in the area of strengthening of bank supervision are aimed at adoption of the new Law on Banks, as well as at successful implementation of the adopted risk-based supervision plan. The new Law on Banks shall further strengthen the shareholder criteria (prior approval for acquiring qualified share in a bank, with an opportunity for the National Bank to revoke previously issued approval, as well as to sell the shares of a shareholder who no longer meets the shareholder criteria or who has acquired qualified share without prior approval from the National Bank), strengthening of the corrective measures the National Bank can undertake as a bank, greater efficiency for the procedure for exit of a bank from the banking system. Also, the Law would ensure further strengthening of prudential standards, promotion of bank corporate governance, through strengthening of the role and the responsibilities of management bodies, internal control systems, the role of the external auditor, enhancement of the transparency in the performance of financial activities, strengthening of the accounting standards etc. The new Law shall precisely determine the types of risks the banks are exposed to and make a step further towards harmonisation to the new Basel Capital Accord through the provisions for strengthening the market discipline of the banks, as well as risk management provisions with the type and scope of bank activities.

Although the quality of assets and financial results of Macedonian banks have improved significantly in the past years, the bank sector in the country still faces a number of actual and potential risks. What they have in common is the absence of bank restructuring activities required for effective adjustment of the challenges from the EU accession and in general, challenges of the global liberalisation of financial services. In addition to competitiveness, another area requiring further improvements refers to deepening of the banking sector. Despite the progress during the past years, the sector should be further developed, compared to the CEE countries – recent EU members.

On 31 December 2005, the share of monetary aggregates M1 (narrow definition) and M2 (broad definition of money supply) of GDP was 10.4% and 36.3%, respectively. With regard to the previous year, the share of M1 money supply remained unchanged, pointing to a stable level of transaction demand for money, while the share of broader money supply grew by around 3 percentage points, pointing to gradual deepening of the degree of monetisation of the economy. This trend is expected to continue according to the realised 25% growth in M2 money supply in 2006. As a comparison, the average share of M1 and M2 monetary aggregates in GDP for the ten new EU Member States at the end of 2005 was 34.1% and 67.2%, respectively. However, the two new countries that joined the EU in 2007 - Bulgaria and Romania have lower than average share, which is still higher than in the Macedonian economy and it is 19.2% and 45.3% for M1 and M2, respectively.

On 31 December 2004, major part of the credits to enterprises were short-term, with a 40.2% share in the gross credits to enterprises, while the share of long-term credits to enterprises was 36.7%. But, as of 30 June 2005, long-term credits to enterprises became a dominant category, with a 41.6% share in the gross credits to enterprises, while the share of short-term

credits to enterprises was 37.9%. On 30 September 2006, long-term credits to enterprises kept and strengthened their dominant position, with a 48.6% share in the gross credits to enterprises, while the share of short-term credits was 33.8%.

*Capital markets.* In the past decade, the securities market was established as a significant financial institution complementary to the banking sector. Despite the dynamic growth of the securities market in the past years, this segment of the Macedonian financial sector remains underdeveloped according to Western standards in terms of its depth. This can be confirmed by the indicators usually used to summarise the role of the securities in the financial intermediation. Total capitalisation on the market at the end of 2006 amounted to EUR 1,822 million, which was 36.71% of GDP in 2006.

Trading with securities in the Republic of Macedonia is performed through the Macedonian Securities Stock Exchange, established in 1995. In the course of 2005 and 2006, the trading dynamics on the Stock Exchange significantly grew. Total trading on the Stock Exchange (traditional trading) in 2005 amounted to EUR 109.5 million, 143.52% growth of turnover compared to 2004, while the total turnover on the Stock Exchange (traditional trading), excluding the block transactions and public stock exchange auctions in 2006 amounted to EUR 176.4 million, which is 61.08% growth compared to 2005. Macedonian stock market index on 31 December 2006 amounted to Denar 3,702.54 or EUR 61.51 which in relation to 31 December 2005 grew by 61.54%. The number of companies listed on the Macedonian Stock Exchange on 31 December 2006 was 43.

The reasons for the market growth in 2005 and 2006 are mainly the greater transparency, publishing and availability of financial information, greater diversity of offered securities, greater interest by foreign investors, starting from the two new pension funds that started collecting and dealing in financial resources on 1 January 2006, sale of shares according to their accounting value (less valued securities) and possible takeovers.

The Securities and Exchange Commission regulates and controls the participants on the market in terms of their operations with securities on the territory of the Republic of Macedonia and within its legal competencies and authorisations, it is responsible for legitimate and efficient functioning of the long-term securities market and for protection of the investors' rights. In order to further improve the legal framework for issuance and trading in securities and to further harmonise it to the EU legislation, the Assembly adopted a new Law on Securities on 7 November 2005. By the end of 2006, the Securities and Exchange Commission adopted 58 bylaws to the Law on Securities and requested technical assistance for 3 bylaws. In the first quarter of 2007, the Securities and Exchange Commission has an obligation to prepare a Strategy for strengthening of the role and the functions of the Securities and Exchange Commission in the area of the capital market control. The Strategy of the Commission should identify the areas and capital market participants with the biggest probability to be sources of breach of regulations for dealing with securities and frauds. After identifying the areas with the biggest risk, the Securities and Exchange Commission will be able to more efficiently allocate its resources by concentrating on the issues and entities with the highest risk.

Other segments of the capital market also face significant events, and are expected to have positive effect on the expansion and deepening of this segment of the financial system. In the second half of 2005, two pension funds management companies started working, collecting and dealing with financial resources from 1 January 2006. New development is also expected in the area of investment funds. For the present, no such funds exist in the country. The adjustment of the legislation in this area, envisaged for the second half of 2007, is expected not only to improve the legal framework in this segment of the financial industry, but also to fully harmonise Macedonian legislation in this area with the EU acquis.

*Insurance:* As 31 December 2006 inclusive, there are 10 private insurance undertakings registered in the Republic of Macedonia (compared to 2001) and 5 insurance brokerage companies operating as brokers between insurance undertakings and their clients. Out of 10 insurance undertakings, one insurance undertaking has a licence to perform non-life insurance and reinsurance activities, one insurance undertaking has a licence to perform life insurance activities, while the remaining eight are registered for performing non-life insurance activities. By the end of 2006 the share of foreign capital on the insurance market was 62.5%. Four insurance undertakings are fully with foreign capital.

The level of gross premiums calculated in 2005 according to the financial statements of the insurance undertakings was Denar 5,105 million, equivalent to only 1.96% of GDP. The earned gross premium in the first three quarters of 2006 was Denar 4,095 million, i.e. 6.89% growth compared to the same period last year. Only in the 4<sup>th</sup> quarter, the gross premium amounts to Denar 1,568 million, meaning 26.4% growth compared to the average gross premium in the first two quarters of the year. If the 4<sup>th</sup> quarter shows continuation of the trend of gross premium policies according to the average performance in the first three quarters, total gross premium in 2006 would grow by 5.7% compared to the performance in 2005. Of the total calculated gross premium in the first three quarters in 2006, Denar 97.4 million, i.e. 2.38%, refer to life insurance, which is 26.34% growth compared to the same period last year.

The structure of offered products is rather underdeveloped. Major portion of the calculated premium accounts for insurance of motor third party liability insurance (compulsory insurance) with 45.92% of the total calculated premium in the first three quarters of 2006, followed by property insurance with 26.15%.

The insurance market is characterised by relatively high market concentration at the end of the 3<sup>rd</sup> quarter of 2006, i.e. the share of the gross premium of the two biggest insurance undertakings in the total gross premium on national level in the reporting period is 51.7%. This is a 6.6% decline in relation to the level of market concentration which was present on the insurance market at the end of 2005.

These numbers clearly show that the insurance sector in the Republic of Macedonia is rather underdeveloped according to the EU standards both in terms of the premium level and in terms of its structure.

The basic legal framework regulating the integration, operations and supervision of the insurance undertakings and insurance brokerage companies in the Republic of Macedonia is the *Law on Supervision of Insurance*. In certain aspects, the Law is harmonised with the EU acquis in the area of insurance, but further transposition is required in several areas, especially in the area of insurance supervision. The Draft Law on Amendments to the Law on Supervision of Insurance which should be adopted by end-March 2007 would set the legal framework for establishment of an independent insurance supervisory body. According to the Draft Law, in the course of 2007, the competences with regard to the supervision of the operations of insurance undertakings should be transferred to the new Insurance Supervision Agency, which, pursuant to the Law, will be independent in the decision-making and acting.

**Ownership and enterprise restructuring (privatisation and structural reforms).** Privatisation of the socially-owned enterprises is almost complete. In the course of privatisation, socially-owned enterprises in almost all economic sectors were privatised: industry, construction, trade, transport, crafts, tourism, agriculture, insurance, games of chance and services. Under the restructuring programmes, parts of the enterprises were liquidated and part successfully transformed or found foreign investors.

Thus, in March 2005, the Privatisation Agency ceased to exist. The remaining social and state capital, as well as the property transferred to the Agency from the privatised enterprises, is being sold by the institutions – legal successors of the Agency. Next stage in the process of privatisation is transformation of public enterprises.

Of the fully *state-owned* enterprises, the Macedonian Telekom was privatised first. With regard to the remaining 34.813% state-owned shares, the Government, after the completion of the audit of the 2005 accounts of AD Makedonski Telekomunikacii, will make a decision on the appropriate model for disposal of the remaining state-owned shares.

The privatisation of major part other public enterprises was enabled by adoption of special laws, such as: Law on Healthcare, Law on Institutions, Law on Culture, Law on Transformation and Privatisation of the PE Macedonian Railways and Law on Broadcasting Activity. On the basis of these laws, in the course of the past two years, pharmacies, spa resorts and several cinemas were privatised, and this year, the remaining cinemas and the 29 local radio stations are expected to be privatised. This year, the three biggest public enterprises will be transformed and privatised. PE Makedonski Sumi, PE for Management of Housing and Business Premises and PE Macedonian Railways.

PE Macedonian Railways underwent significant restructuring, whereby its activities are in the stage of division into two new entities: for transport and for infrastructure. The division and establishment of these two new companies would be completed by the end of the second quarter of 2007. The intention is to privatise the section on transport, while leaving the infrastructure state-owned.

In the course of 2007, full reorganisation of the Macedonian Radio Television is envisaged so as to improve the quality of services and increase the independence of this national public service.

In the energy sector, after the separation of the electro-transmission system and management system in a separate state-owned company (AD METSO) in 2004, reforms in the electricity sector continued in 2005 pursuant to the Law on Transformation of JSC Electric Power Company of Macedonia (Official Gazette of the Republic of Macedonia No. 19/2004) by separating the generation capacity into a new enterprise (JSC EPGM) and separate thermal power plant JSC TEP Negotino, whereby JSC EPCM continued carrying out electricity distribution and supply to around 700,000 consumers. In 2006 JSC EPCM was privatised by selling 90% of the shares to the Austrian company EVN AG, through a public tender.

In the production area, the procedure for privatisation of JSC TEP Negotino is underway, through the sale of 100% of the shares to a strategic investor, who would undertake an obligation to build additional production facility (call for competition announced on 5 January 2007).

With regard to other segments of the energy sector, the Government announced international tender for construction of the hydro-power plants Cebren and Galiste, for which the pre-qualification phase finished, and by the end of April this year, international tender will be announced for construction of the hydro-power plant Boskov Most. The first package for construction of 60 small hydro-power plants out of the total number of 400 will be offered in an international tender by the end of February 2007, followed by announcements for the remaining small hydro-power plants, to be offered in packages from 60 to 80 per package. In March, the Government will announce international tender for construction of combined heat and gas power plant in Skopje.

By the end of April this year, the Government plans to change the market model in the energy sector, i.e. through changes in the Law on Energy, to enable the large industrial consumers to purchase electricity directly from foreign producers, whereby METSO would no longer have an obligation to supply large consumers with electricity at prices not covering the costs and thus eliminate operating losses under this basis. This would strengthen the financial stability of this company, significant for mitigating potential fiscal risks.

Privatisation also began in the social sector and in the public administration. Part of the non-core activities in healthcare, education and administration were separated from the state entities and transferred to the private sector.

The 2004 Law on Amendments to the Law on Healthcare for the first time provided an opportunity to transform part of the public healthcare institutions into private ones through leasing of organisational units of the employees – doctors, to the end of establishing private healthcare institutions. Pursuant to this Law, the Ministry of Health, in cooperation with all healthcare institutions, prepared programmes for implementation of the Law for each healthcare institution separately, planning the offices that could be leased and the parts that remain in the public healthcare system. On the basis of calls for competition, medical offices given under lease to the doctors working in those medical offices, together with the medical equipment they have.

This change in the Law enabled privatisation of pharmacies through sale and major part of pharmacies through leasing. Dentistries working in the primary dental care were privatised through leasing.

The changes in the Law envisaged transformation of the non-core activities in the primary healthcare: legal, economic, administrative-technical and other similar services.

In October 2005, the second change to the Law on Healthcare was adopted, envisaging transformation through leasing of the remaining part of dentistries, as well as the primary healthcare.

In 2005 and 2006 parts of the public healthcare system were transformed into private healthcare institutions.

According to the latest monthly reports by the Ministry of Health, so far, 655 general medical offices were privatised, 911 specialised medical offices (gynaecologists, paediatricians, labour medicine), as well as 210 dentistries, whereby 4,324 employees (pharmacists, dentists, medical practitioners and nurses and technical staff) were transferred from the public to the private sector.

The whole process of transformation is expected to be completed by the end of February.

The Government announced international tender for selection of a consultant, who would provide assistance in the design of a study for development of Skopje and Ohrid airports. By the end of the third quarter of 2007 the concession or privatisation model is expected to be determined, which would be followed by international tender for both airports.

The process of restructuring of the public enterprise for postal services Makedonska Posta began in 2006, when it was transformed into a state-owned joint-stock company. Until July 2007 development strategy will be prepared, determining further restructuring activities.

#### ***Absence of more significant barriers to entry (business start-up) and exit from the market (bankruptcy, liquidation).***

One of the priorities of the Government of the Republic of Macedonia is creation of a favourable investment climate and encouragement of the private sector development through reforms in the business environment and strengthening institutional capacities. To this end, the project for reforms in the business environment and institutional strengthening is underway, designed so as to implement the European Partnership of the Republic of Macedonia with the European Commission, aimed at promoting the private sector competitiveness. One of the most important components of this project refers to the regulatory guillotine, which, until September this year, would include reviewing and simplification of large number of formalities and regulations of business in the Republic of Macedonia so as to eliminate all inefficient anti-market instruments in the legal regulations involving price controls and barriers to entry in the market. Only those regulations and formalities would remain that are necessary for improvement of their quality and they would be contained in the Single Electronic Registry of Signatures, to be published by October 2007. Effects from the regulatory guillotine are improvement of the business conditions and reduction of the costs of the business entities, reduction of the number of regulation instruments and their simplification, reduction of bureaucracy and corruption, legal safety for businessmen and complete picture of the regulatory structure. The regulatory reform, i.e. the procedure for reviewing the regulations began with a Government decision adopted at the end of November 2006, determining an action plan and establishing institutional mechanism for its implementation: Coordinative Committee at the highest level, led by the Deputy Prime Minister of the Government for Economic Affairs, Commission for implementation of the regulatory reform and working groups within the ministries and other state administrative bodies. The implementation of this project involves the business community and the civil sector through provision of opinions and proposals for simplification of the regulations. The Chambers of Commerce, the National Entrepreneurship and Competitiveness Council and the International Council of Investors delegated representatives who continuously work with the Commission for implementation of the regulatory reform.

Within the regulatory reform, by September this year, the Government will adopt a legal framework for evaluation of the effect of the regulation, according to which all new draft regulations, using the RIA instruments and techniques, shall be subject to evaluation regarding their effect on the business sector, including mandatory consultation with the business community.

In order to coordinate and monitor the implementation of the regulatory reform, a Sector for Regulatory Reform was established within the Government of the Republic of Macedonia, adequately financed and staffed.

With regard to the improvement of the quality of the regulations regarding the business activities and building institutional capacity, as well as regulations important for entry in the market and their proper functioning and monitoring, the Government

submitted a proposal for amendments to the Company Law so as to implement the principles of OECD for corporate governance, improvement of the business climate and attracting foreign investments.<sup>2</sup>

One-stop-shop system started functioning in the Republic of Macedonia, as of 4 January 2006. The basic legal framework, established in 2005, was upgraded in 2006 by finalizing the procedures for amendments to the laws, including the last amendments to the Law on One-Stop-Shop System in 2007.<sup>3</sup>

The Central Register of the Republic of Macedonia undertook the responsibility for registration as of 4 January 2006 and the registration of legal entities was significantly strengthened since. Today the one-stop-shop system meets the requirements for one application, in one counter and in one visit. There is an exceptional electronic database established for all companies and other legal entities. The Central Register of Macedonia provides accurate information on business partners, it has unified distribution electronic system for registration of all legal entities, it achieves greater budget savings in the non-core overlaps of administrative registries and in general, centralised database for all legal entities and ultimately, it provides a basis for macroeconomic budgeting. This has significantly positive effects on the government policy for attracting foreign investments by elimination of administrative barriers for registration and application of the European directives and highest standards in this area. Quantitative indicators show that during 2006, a total of 27,647 applications were registered, of which 10,650 are for establishment of new companies. The average time for registration of an establishment is 5 days, and for change or deletion 2 days, with a tendency to be reduced. According to the World Bank publication Doing Business, such setup of the registration process (reduction of the time from 48 to 5 days, reduction of costs and the number of procedures from 13 to 7) has brought the Republic of Macedonia upward shift by 53 positions in the area of establishment of companies. The new amendments and modifications to the Law on One-Stop-Shop System, enterprises can be registered even in 3 days from the day of application. The Central Register is undergoing reforms so as to regulate the procedure for electronic submission of the annual statements.

Having in mind that the registration of property rights effects the business environment and the investment climate, the Government started implementing thorough, comprehensive reforms in the Cadastre. In accordance with the adopted Action Plan for overcoming the difficulties in the operations of the State Authority for Geodetic Works, a systemised set of normative, legal and institutional activities was prepared. Effects of the reform are the following: 1. simplification of procedures and greater efficiency; 2. introduction of e-cadastre; 3. strengthening human resources and improvement of the working conditions; 4. strengthening of the communication with the service users and reduction of corruption.

Currently, around 50% of the territory of the Republic of Macedonia is registered in the Cadastre of Real Estate Property, while the remaining 50% are covered by the Land Cadastre. With regard to the full establishment of the Cadastre of Real Estate Property in the territory of the Republic of Macedonia, intensive activities are underway for expansion of the Single Cadastre of Real Estate Property, whereby by the end of 2007, 68% coverage is envisaged, and full 100% coverage is envisaged by the end of 2008. This would provide legal safety for investors and ensure utilisation of land as collateral in borrowing.

Other significant improvements of the existing regulations that effect the business environment are planned with the new changes to the Law on Takeover of Joint Stock Companies, thus enhancing the protection of minority shareholders and strengthening the transparency and financial reporting<sup>4</sup>.

The adoption of the Law on Audit, harmonised with the relevant European Directives, created conditions for organisation of an independent audit profession. The Council for audit promotion and supervision, in January 2006 adopted all acts to the Law on Audit. The Institute of Certified Auditors was established. Large number of activities were realised according to the National Strategy and the Action plan for reforms in the accounting and institutional strengthening within the Institute of Certified Auditors (workshops, procedure the associative membership to the IFAC Institute, translation of IFAS, preparation of the operational architecture of the Institute of Certified Auditors, building capacities for support to the Institute of Certified Auditors etc.)<sup>5</sup>.

In the process of eliminating the barriers for fast entry on the market, more specifically, the bankruptcy and liquidation procedures, significant results were achieved in the new regulations. The new Bankruptcy Law is already in force, as well as five rulebooks, already showing effects of the new legal solutions with regard to acceleration of the procedure, reduced costs, supervision of the activities of bankruptcy trustees etc. In the period 1 April 2006 – 31 December 2006, the following data were registered in the Trade Registry and the Registry of Other Legal Entities:

1. Initiated prior procedure 224
2. Initiated bankruptcy procedure 37
3. Initiated and completed bankruptcy procedure 752

On the basis of FIAS study, and as a result of additional research, the Government has adopted a programme for promoting investments in the Republic of Macedonia (2003-2006) and an action plan as its integral part. The programme provided a framework guiding the line ministries and other institutions and bodies to propose measures for realisation of reforms by specific entities and with a specific dynamics.

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<sup>2</sup> See Chapter 06 Company Law

<sup>3</sup> See Chapter 06 Company Law

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The new Investment Promotion Programme for the period 2007-2010 is under preparation, that would comprise policies and measures for improvement of business operations, reduction of administrative barriers, and improvement of competitiveness and attractiveness of the country as investment destination.<sup>6</sup>

Reforms in the business environment and institutional strengthening, in addition to the regulatory reform cover the system of metrology, standardisation, testing and quality assurance, for which the competent institutions are the Metrology Bureau, the Institute for Standardisation and Institution for Accreditation; the competition policy – Commission for Protection of Competition and access to information implemented by the National Bank and the Central Register.

**The system of metrology, standardisation, testing and quality assurance** is focused on overcoming the difficulties with regard to competition of the private sector in the national and foreign markets, resulting from the poor infrastructure and services of the system of metrology, standardisation, testing and quality assurance. The main objective is to strengthen the capacity of the national system for delivery of services and ensuring their compatibility with the one in the EU. This is envisaged to be realised through modernisation of the national infrastructure for metrology; strengthening of the Metrology Bureau, the Institute for Standardisation and Institute for Accreditation so as to be prepared to work with the respective EU institutions; raising the awareness of the business sector regarding the challenges and possibilities of the competition in the EU market and assistance in the preparation of development strategy including institutional and legal framework for approximation of the Republic of Macedonia to the EU standards.

**Competition policy** should contribute to greater competition of the private sector through establishment of market competition on sound bases and encouragement of the production of goods and services with higher quality at lower prices. The main objective of the competition policy is strengthening of the capacities for implementation of a regime of competition policy harmonised with the EU. This will be realised through: strengthening of the capacities of the Commission for Protection of Competition and the Unit for State Aid and its commissioners for implementation of the competition policy in accordance with the EU acquis; strengthening of the capacity of the Ministry of Economy to design and implement industrial policy measures in accordance with EU requirements; raising public awareness for issues related to competition policy, including the functioning of state aid and providing training for the entities involved in competition policy, new law on protection of competition and state aid regime.

**Access to information.** This component aims at improving the limited access to information, leading to high transaction costs and hinders investment decision-making. This component would enable the National Bank to implement the credit registry through provision of positive and negative information on borrowers in accordance with the EU acquis for protection of personal data and with international best practices. It also envisages support to the Central Register in the organisation and preparation of information related to businesses, available to the public through establishment of centralised database, promotion of the one-stop-shop system for faster and smooth registration of business entities and the legal framework for the Central Register and establishment of system of protection.

*Strengthening of the legal system, including the regulation of property rights, enforcement of laws and contracts, and effectiveness of the judiciary system with regard to economic issues.* The analysis and experience show that the judiciary is one of the most important segments that require serious reforms, so as to strengthen the confidence in institutions, facilitate entry of investments and accelerate private sector growth. In December 2004 the Government adopted comprehensive strategy for judiciary reform with an action plan for its implementation. The objective of this strategy is to establish an efficient judiciary system, based on European standards that would support market economy.

Key issues with regard to the functioning of the Macedonian courts are delays and poor capability to enforce court decisions. In order to overcome these problems, two new laws were adopted: Law on Civil Procedure, aimed at accelerating the resolution of cases through introduction of stricter deadlines and the Law on Enforcement, transferring the enforcement from courts to specialised enforcement agents. The Statute, the Operational Programme and Rulebooks on the operations of the enforcement agents were adopted. Also, amendments were made to the Law on Enforcement, creating basis for adoption of new Rulebook on the tariff for enforcement agents. So far, 41 enforcement agents were nominated out of 69. The nominated enforcement agents were trained. They began working in mid-2006. A Chamber of enforcement agents was established, as legal entity and a President of the Chamber was selected. Within the Ministry of Justice, a Sector for Supervision of the Activities of Enforcement Agents, notaries and mediators was established, now in the phase of strengthening its capacity.

To the end of meeting the standards on independent, safe and unbiased judiciary, in May 2006 **the Law on Courts** was adopted, elaborating new solutions (Amendments 25, 26 and 27) on the conditions for election of judges, changes in the organisational structure and competences of the courts, as well as specialisation of judges. According to the Law, specialised court units will be established in the basic courts, among which units for economic disputes; new Appellate Court in Gostivar will be established, as well as a new Administrative Court in Skopje. Currently, according to the Court Election Registry, there are total of 624 judges in all courts in the Republic of Macedonia.

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<sup>6</sup> See Chapter 20

In May 2006 the **Law on Court Council** of the Republic of Macedonia was adopted. The Council is an independent judiciary body, ensuring and guaranteeing independence of the judiciary through exercising its functions pursuant to the Constitution and the laws. The new Court Council started working in December 2006.

Pursuant to the Law, the first elections were implemented of members of the Court Council, from the ranks of judges, by electing 8 judges as its members. In early-2007, the remaining 5 members are expected to be elected by the Assembly (two of which are proposed by the President of the Republic of Macedonia).

Academy for training of judges and prosecutors was established, aimed at ensuring competent, professional, independent, unbiased and efficient judiciary and prosecution functions through selection, organisation and implementation of beginners' training of the candidates for judges and prosecutors in the basic courts, i.e. the basic prosecution offices and continuous vocational training of judges and prosecutors and the court and prosecution clerks.

The Academy has been working since 22 November 2006. A Steering Committee was established and a Director and Executive Director were appointed. Premises for the Academy were provided, as well as budget resources for its functioning. By 2006 inclusive, the Academy had 6 employees, who, pursuant to the Law, were assumed from the Centre for Continuous Education.

In order to provide court protection of the rights and legal interests of physical persons and legal entities and in order to ensure legality of administrative acts on the basis of the new **Law on Administrative Disputes**, adopted on 22 May 2006, the Administrative Court shall decide in administrative disputes on the legality of acts of government administration bodies, the Government, other government bodies, municipalities and the city of Skopje, organisations set under the Law and legal entities and other persons in the performance of public authority (holders of public authority), in the cases when they decide on the rights and obligations in individual administrative matters, as well as for acts adopted in a misdemeanour procedure. The adoption of the new Law on Administrative Disputes and the novelties envisaged in the Law on Courts in this area, the cases of administrative disputes resolved by the Supreme Court shall be transferred in the competences of the new Administrative Court. This would reduce the case backlog and the Supreme Court will be relieved from the large number of cases in this area.

Also, to the end of enhancing the efficiency of the judiciary, in May 2006, new Law on Misdemeanours was adopted, enabling the public institutions and regulators, such as the National Bank of the Republic of Macedonia, the Public Revenue Office, the Customs Administration and others to impose sanctions for certain misdemeanours without prior court approval.

The independence of the court was additionally ensured by adoption of the Law on Court Budgets, which ensured separate court budget and Council for Court Budget for management with the budget process. Amendments and modifications to the Law on Court Budget are aimed at further promotion of the financial independence of the judiciary in administering the Court Budget and setting criteria for financing the judiciary. Also, the manner of managing the budget funds intended for the judiciary shall be redefined. The amendments to the Law envisage transfer of the competences for management with the funds from the budget of the Republic of Macedonia in relation to the judiciary to the competences of the Court Council.

Independence will be additionally enhanced by confirming the results of the evaluation of needs for human resources for the court administration and police in the 2006 budget and the improved system of incentives, planned to be implemented gradually in 2007.

The standards on alternative resolution of disputes were partially covered with the Law on Mediation that regulates the rules of the procedure for off-court mediation as an alternative manner of resolution of disputes. After the adoption of the Law, training was organised and 60 mediators were appointed. Undertaking these activities is expected to encourage off-court resolution of disputes, whereby courts would be relieved from significant number of cases. Mediators are physical persons who assist in alternative resolution of disputes on the basis of the free will of citizens. In 2006, 60 mediators were appointed, who passed the beginners' training. Chamber of Mediators was established. The first mediation centre was opened in Skopje. Such centre is expected to be opened in Gostivar in the first half of 2007, and upon receipt of additional financing, additional two centres will be opened.

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

The capacity to cope with the competitive pressures and market forces in the EU imposes the requirement for the accession country to have stable macroeconomic environment, where economic agents will be able to make decisions with a reasonable degree of predictability. Sufficient human and physical capital is required, including infrastructure, which would provide the business sector sufficient basis to be competitive on the single market. In addition, companies must invest in improvement of their efficiency and adjustability to the market conditions, and their adjustability shall be strengthened if they have appropriate access to financial resources for investments, to qualified workforce and successful innovations. Ultimately, the accession country will be better prepared for the membership obligations after achieving high level of economic integration to the EU before its membership. The integration level is connected not only to the trade volume with the EU member states, but also with the assortment of traded goods.

In 2004 the Government started the Functional analysis of the activities in all line ministries so as to achieve full agreement in the systematisation of the state administration so as to facilitate the implementation of government priorities, to impose control and appropriate management. These activities must be focused on controlling the expenditures in the budgets of the ministries and

other bodies, where good planning is the most important, as well as the allocation of budget resources for the projects financed by donors, especially the EU funds, which would be fully integrated in the budget as budget revenues on the basis of donations as of 2007. At the same time, the already established practise for domestic co-financing of loan-financed projects, a financing budget item, would continue.

The establishment of PIFC (public internal financial control) is one of the priorities of the Government, which requires closer cooperation with the DG Budget in the EC.

In order to deal with the unemployment through strengthening of the investments in human capital, the Government set aside significant amount of budget resources for education and science. EU assistance in education and science would be more than welcome.

*The existence of functioning market economy, with a sufficient level of macroeconomic stability enabling economic agents to make decisions in a predictable environment.* Maintenance of macroeconomic stability is required, but not sufficient conditions to achieve faster and sustainable economic development as the top economic priorities in the country. In accordance with the ambitious programme of the Government and the current three-year programmes, agreed with both international financial institutions, this objective is expected to be achieved through intensification of the structural and fiscal reforms, aimed at improvement of the business climate and competitiveness, as well as maintenance of macroeconomic stability. Medium-term projections indicate that the average annual inflation rate will be maintained at the level of 2% to 3%. The main driving forces for low and stable inflation, which led to elimination of inflationary expectations, such as the pegging of the Denar to the Euro, the fiscal discipline and the low budget deficit, as well as the foreign trade liberalisation, are expected to continue. Furthermore, the prudent fiscal policy is expected to be maintained through maintenance of the general budget deficit at the level not exceeding 1% of GDP in the medium term. Such policy will be crucial for the overall fiscal sustainability of the country in the medium term, for maintenance of the public debt level on internationally acceptable level and for appropriate coordination between the monetary and fiscal policies required to maintain the macroeconomic stability.

The economic programme of the Government envisages policies and measures on medium term aimed at intensification of economic growth and employment, reduction of the imbalance in the external sector, maintenance of macroeconomic stability, strengthening of the domestic and international credibility of the country and improvement of the business climate. The programme is based on strong structural component comprising reform aimed at strengthening the competitiveness. The essence of this programme are the ambitious reforms – on the labour market and reforms in the judiciary – so as to raise production growth, encourage entrepreneurship and improve labour market functioning and its flexibility, as well as strengthen the rule of law and approximate the judicial system to the European standards.

In the macroeconomic area, the objectives of the programme are to ensure shift from official BOP support to market financing, maintaining at the same time the fixed exchange rate and low level of inflation. The financial strategy relies on stable macroeconomic policies for achieving a level of foreign currency reserves sufficient for 4-month import coverage.

The programme also aims at ensuring medium-term fiscal sustainability through measures for improvement of the revenue and expenditure side of the Budget in the next years, maintaining the central government deficit level from 1% to 1.5% of GDP in the period 2008-2010. The measures include simplification of tax policy and administration, including introduction of flat tax while expanding tax base, and on the other hand, focusing budget resources towards productive uses, increasing investments, education expenditures and expenditures related to the approximation of the country to the EU standards.

An important element of the broader fiscal reform is the comprehensive reform of the tax administration so as to strengthen the efficiency and effectiveness of the tax administration in increasing revenues, supported by technical assistance from the IMF and the Kingdom of the Netherlands. To this effect, in September 2005 the new Law on Public Revenue Office was adopted and the new law on tax procedure that raise the efficiency of the Public Revenue Office and strengthen the control over the collection of taxes, expanding its rights and authorisations.

What is planned in this area is the gradual harmonisation of the tax base for calculation of personal income tax with the base for calculation of social insurance contributions (pension, healthcare, unemployment) and integration of their collection in a single institution, which will be phased-in until 2010. The first phase of this reform envisages harmonisation of the bases for calculation of contributions the application of which is expected to begin in May 2007, and further in April 2008, integration of their collection in the Pension and Disability Insurance Fund, for which a precondition is upgrade of their software (used as of the beginning of the operations of the second pension pillar – January 2006 which proved to be an efficient solution judging by the greater collection of the pension insurance contributions) for collection of all contributions.

Regarding the measures on the expenditure side and the reduction of fiscal risks, reforms in the health sector are of essential importance, aimed at improvement of the financial management of the Health Insurance Fund and the public healthcare institutions. To that end, in the course of 2006 measures were undertaken, aimed at, first of all, stabilising and reducing the level of arrears of the Health Insurance Fund (HIF) and the public healthcare institutions. In mid 2006, HIF fully paid the arrears (due more than 60 days – definition pursuant to the Technical Memorandum of Understanding under the Stand-By Arrangement with the IMF), while the arrears of the public healthcare institutions were stabilised at a certain level, thus at end-2006, total arrears in the health sector were reduced in relation to January by 0.3% of GDP. One of the factors influencing such trend was also the measure by HIF to change the manner of financing the public healthcare institutions, through firm budget ceilings. Thus, in the course of 2007, additional measures will be undertaken to increase the fiscal discipline of the public healthcare institutions,



including the assignment of budget control officers in the 15 largest public healthcare institutions, as well as introduction of the position – economic directors in all public healthcare institutions, to work in parallel with the medical director according to the “four-eye principle” (“tied signatures”), the results of the operations of which will be monitored on quarterly basis. Directors who will show negative financial results in two consecutive quarters will be dismissed. Following the initial and most indispensable measures for stabilisation of the finances in the health sector, more fundamental reforms in the health sector will be carried out in the coming period, in cooperation with the World Bank, such as defining the medical map, revising the standard package of health services to be available to all citizens, etc.

Ultimate goal of the structural reforms the Government undertakes is acceleration of the economic development and job creation in the Republic of Macedonia, by improving the investment climate; judiciary reforms, labour market reforms; strengthening the financial mediation and supervision; increasing the competitiveness of the business sector; strengthening the management in the public sector, administration and health, as well as decentralisation.

At the same time, implementation of the Trade and Transport Facilitation in Southeast Europe Project 2 (TTFSE 2) commenced, which will provide for **improvement of transport corridor 10** by rehabilitating the 7 km long section Tabanovce – Kumanovo, improving the railway border crossings, modernizing the toll fee system and constructing superstructure at the facilities at Blace border crossing.

Intensive work is undertaken in implementing the Action Plan for the Railways Reform Project, the ultimate goal of which is improvement of the financial efficiency of the railways and enhancement of the operations in the railway sector by applying the EU Directives in this field.

Maintenance of macroeconomic stability, coupled by profound structural reforms, will lead to intensification of the economic activity and GDP growth at average annual level of around 6% to 8% in the period 2007 – 2009. Economic growth will be based on the increased intensity of the investment activity, regulatory reform, fiscal reforms, judiciary reforms, public administration reforms, elimination of labour market inflexibility, strengthening the entrepreneurship activities in the country and export encouragement.

Regarding the increase of administrative capacity pertaining to collection of taxes and expenditure control, the adoption of the Law on Public Revenue Office contributes to more precise defining of organisational setup, management and competences of PRO, in particular the rights, obligations and training of the employees. In the coming period, measures to upgrade the PRO capacities will continue to be implemented.

Reform process in the field of accounting was completed with the new Company Law, adopted in 2004, and harmonised with all EU Directives. This Law is a significant step forward for the Republic of Macedonia in the field of accounting and auditing.

Pursuant to the Company Law, each commercial entity (distributor) is obliged to keep accounting records and to submit annual balance sheet in line with the laws and the regulations. In fact, retail and whole sale commercial entities, commercial entities in the banking and insurance sector, commercial entities listed on the stock exchange, as well as commercial entities the financial reports of which are part of the consolidated versions of financial reports of the above-mentioned commercial entities, they are obliged to prepare and submit financial reports, in line with the adopted International Accounting Standards, published in the Official Gazette of the Republic of Macedonia. International Accounting Standards are updated each year to the end of being in line with the current standards, which can be supplemented, amended or adopted by the International Accounting Standards Committee.

Reform process in the field of auditing was completed with the new Audit Law, harmonised with the EU Directives. Audit is presented in the financial reports of the retail and wholesale commercial entities, organised in joint stock companies, companies listed on the stock exchange and retail and wholesale commercial entities organised in limited liability companies. Report on carried out audit is submitted by a graduated certified auditor, in line with the International Standards on Auditing (ISA), published in the Official Gazette of the Republic of Macedonia. These International Standards on Auditing are updated each year to the end of full harmonisation with the current standards, supplemented, amended or adopted by the International Federation of Accountants (IFAC).

Essential element of the ambitious structural reforms is the labour market reforms, intensified with the adoption and implementation of the new Labour Law in 2005. Goal of this Law is to increase labour market flexibility by reducing the procedures and costs pertaining to employment and lay off of workers, followed by an adequate level of protection of the workers. The Law also provides for greater application of flexible forms of employment, such as employment on the basis of contractual agreement and temporary employment, reducing the limitations, i.e. regulating the possibilities to apply such employment agreements. It will lead to increase in the labour demand, as well as to decrease of the unregistered unemployment, thus, on the medium term, it will lead to increase in the state revenues on the basis of personal income tax and social contributions.

Additional contribution to the overall economic development and successful implementation of the government policies in the coming period will be enabled with assistance of efficient usage of EU pre-accession funds the Republic of Macedonia receives after acquiring the candidate country status.

*Sufficient quantity of human capital at appropriate price, including education and research and future development in this field.*; Priority objectives of human capital development in Macedonia and labour market policies are the following: (1) employment encouragement; (2) stimulating continuous investments in human capital by ensuring relevant network for public and private education; (3) elimination of institutional inflexibility on the labour market and social protection; (4) increase of labour market mobility; (5) reduction of employment in the informal sector ("grey economy").

(1) Employment encouragements;

Government policy is defined as increase of the active labour market measures, which policy will mostly be implemented through the labour market institutions.

In December 2006, Government of the Republic of Macedonia adopted two strategic documents in the field of employment policy. They are the 2010 National Employment Strategy and 2006-2008 National Action Plan on Employment. These two documents are prepared in line with the revised Lisbon Strategy, and are in a coherent relation. Documents define the objectives we strive for to attain up to 2010, as well as the manners to achieve them.

Thus, up to 2010, following objectives are envisaged to be realised:

1. Total employment rate - 48% in 2010 (from 37.9% in 2005).
2. Employment rate of women - 38% in 2010 (from 30.1% in 2005)
3. Employment rate of older people (55-64) - 33% in 2010 (from 26.1% in 2005)

Manners, programmes, reforms and amendments to the legislation are in particular indicated in the 2006-2008 National Action Plan on Employment (NAPE).

To the end of realisation of the NAPE, 2007 Operational Plan was adopted regarding the implementation of the active labour market measures. This document contain the main priorities translated in programmes on employment encouragement, flexibility at employment, employment of certain vulnerable groups having difficulties to find job (single parents, children without parents, persons with special needs), working engagement of long-term unemployed persons with low qualifications and stimulating self-employment and increase of the scope of training for a known employer.

(2) Stimulating continuous investments in human capital, by ensuring relevant network for public and private education;

On of government priorities is implementation of activities for improvement of quality of education and training, which will increase the opportunities for young people to find job after completing their education, being a top priority. Modern education is aimed at improvement of quality, not only quantity, of human resources. Discussions and preparations for introduction of nine-year primary education are ongoing, and the process will continue until it is finally implemented. In addition, support will be provided to investing in (secondary and primary) education, creating skills and qualifications in line with the demand.

Establishment of VET Centre. Starting January 1, 2007, **Vocational Education and Training Centre** started operating. The Centre harmonises and integrates the national interest and the interests of the social partners in vocational education and training in the Republic of Macedonia. It also coordinates the cooperation between the international institutions and organisations in the field of vocational education and training.

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

At the same time, Law on Higher Education is in the phase of preparation, which is to be adopted by the third quarter in 2007. Legal framework for implementation of the Bologna Process is being introduces for the purpose of inclusion of Macedonia in the unified European higher education area. Number of students to enrol at the universities will continue to increase, as well as the standards on quality of studies. According to the Bologna Process, reforms and harmonisation will continue on the following areas: (a) harmonising the structure of higher education levels (undergraduate, postgraduate and Ph.D. studies; (b) ensuring the quality of higher education; (c) eliminating the barriers in student mobility; (d) teaching and administrative personnel in relation to the EU member states, and within the SEE region; (e) implementing the European credit transfer system; (f) recognizing the qualifications and diplomas; (g) strengthening the role of the students in the higher education process; (h) increasing European dimension and attractiveness in the field of higher education; and (i) developing different forms of lifelong learning.

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

Computerisation of schools, as well as mandatory learning of English language starting in first grade and of second foreign language starting in fifth grade. One of the objectives of the Ministry of Education and Science, set in the 2005-2015 National Programme for Development of the Education in the Republic of Macedonia, is for each pupil to complete primary education to be familiar with the other cultures and civilizations and to be fluent in two foreign languages, one of which should be the English

language. Starting 2007/2008 academic year, learning English language in first grade and second foreign language in fifth grade will be mandatory for each pupil.

Stimulating the research through cooperation with the Seventh Framework Programme of the European Commission (FP7). This programme is aimed at projects in the field of research, and stimulating the scientific-research projects in different areas. Seventh Framework Programme establishes special unit in the Ministry of Education and Science, with the aim of better coordination and promoting the programme.

Priorities of the Ministry of Education and Science are certain programmes of the „Life-long learning” and „Youth in action” community. These programmes contribute to mobility of young people, as well as the possibility to exchange experience and knowledge of students, professors, young persons, institutions, etc.

Seventh Framework Programme (FP7) and the “Europe for citizens” Programme are recommended as priority by the Ministry of Education and Science. These programmes will contribute to the process of cooperation among young persons, researches, students, NGOs, institutes, universities, process of changes and improvement of individual and corporate features.

Under the Education Modernisation Project, each school included in the first cycle of the programme for awarding a grant has received a catalogue with programmes, and on the basis of their development needs and priorities, a selection has been made regarding the training programmes for the teachers. The schools expressed interest to participate in the training programmes organised by 23 trainers to train 4.625 teachers. Agreements in the amount of Denar 24 million were signed on October 15, 2006. This project contributes to the development of the teaching personnel, as well as to the improvement of the school infrastructure.

**Adoption of Law on establishment of State University “Goce Delcev” in Stip, as well as Law on Establishment of Public Administration and Diplomacy University, within the “St. Kliment Ohridski” University in Bitola. This Law will provide for easier access to higher education.**

Objectives of the research and development policy in Macedonia are the following: (a) transfer of “know-how”; (b) development of commercially relevant technologies for Macedonia (technologies with a potential for international competitiveness of Macedonia); and (c) establishment of relations between research centres, universities and enterprise sector. Regarding the research sector, Republic of Macedonia will stimulate and promote international cooperation and transfer of knowledge and technology; introduce system of monitoring and evaluation of the scientific and technological quality and research results by using internationally adopted standards and criteria; and allocate more budgetary resources for research and development; increase investments in scientific and research activities; increase usage of international funds and technical assistance; define inter-disciplinary programmes aimed at research; support establishment of research units in the business sector to ensure effective transfer of modern technologies; create conditions for increasing the quality of knowledge and innovations and development of technological information systems.

(3) Elimination of labour market inflexibility and social protection;

Reforms in the labour market institutions are aimed at strengthening the capacities of the Employment Agency of the Republic of Macedonia and enabling individual access regarding the working with unemployed persons and providing opportunity for employment of beneficiaries of certain benefits in social protection and vulnerable groups.

Twinning project in labour regulation is expected to further harmonise and recognise the international standards in this area.

(4) Increase of labour force mobility;

Reforms in the Employment Agency of the Republic of Macedonia will enable real flow of information on the possibilities for employment. Informal education will provide for additional opportunities for acquiring new skills and conditions for greater inter-sectoral mobility through the education reforms and development of the VET system.

(5) Reduction of employment in the informal sector (“grey economy”);

Change in the tax system, social insurance system and other types of advantages will lead to increase in the interest of the employers to legalise employments. Benefits for starting up a business and business support will be related to the registered activity, which will increase the percentage of transfer of the grey economy into legal one. Harmonisation and improvement of the legislation in line with the European principles will have additional contribution, and on the other hand, it will create adequate penalty measures for the creators of illegal business. Strengthening the supervision and the penalty measures for those working in the grey economy, i.e. strengthening the personnel capacities of the inspection teams and the integrated inspection work (cooperation and coordination of the State Labour Inspectorate with the other inspection services), will significantly contribute to reduction of grey economy.

To ensure reliable data on the situation on the labour market, reduction of grey economy, employment and employment increase, legal and institutional conditions are required to stop the connection of the rights of the unemployed persons to health insurance and the Employment Agency of the Republic of Macedonia, and at the same time to transfer the right to health insurance to the institutions in the health insurance system. Such procedure will and should not mean abolishment of the right to health insurance, or it will not affect the coverage of the population with health insurance.

*Sufficient quantity of physical capital at appropriate price, including infrastructure (energy, telecommunications, transport, etc.) and future development in this field:* similar to the other economies in transition, public infrastructure in the Republic of Macedonia, as well as its infrastructure policies are not fully compliant with the needs of the market economy. Regarding the energy sector, for instance, legacy from the past is the high energy intensity, infrastructure projects that require expansion, maintenance and restoration, as well as adequate systems regarding the environment. On the other hand, with respect to transportation sector, traffic flows are concentrated on the road transport. These factors are partly connected to the geographical features of the country (short distances between the final destinations in the country), and partly to the technical and technological equipment of Macedonian railways Public Enterprise, in charge of railway traffic. Regarding telecommunications, fixed and mobile telecommunication network is based on a modern digital technology and their rate of penetration (number of telephone lines in relation to the size of the population) is relatively high compared to the other economies in transition.

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

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

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

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

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

Republic of Macedonia is preparing a strategy on infrastructure projects, called Public Investment Programme, to be implemented on medium term. It also includes priority projects, which the Government believes could significantly contribute to the development of the country. The Programme, covering a three-year period, is updated on annual basis, and it incorporates projects from all economic infrastructure projects, including energy, transport, water supply, irrigation, environment, as well as non-economic activities.

On the basis of the database for the Public Investment Program, and according to the priorities set by the Government of the Republic of Macedonia, significant number of infrastructure investments is expected to be realised in the period 2007-2009.

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

Most of the foreign credits used by the Republic of Macedonia are intended for infrastructure projects or projects including significant infrastructure component. Their realisation is a significant trend of public investments in the country and it influences its overall development.

To that end, it is expected to use different sources of financing, including the budgetary funds, foreign investments, assistance by bilateral donors and credits from multilateral financial institutions under favourable and commercial conditions. Pursuant to the legal regulation, Government will continue the policy of granting concessions in some infrastructure areas.

Government of the Republic of Macedonia adopted a decision for selection of consultant team through an international tender, which is to propose a model for granting concessions for part of the road infrastructure along Corridors 10 and 8, as well as section 10d in the Republic of Macedonia. Procedure for selection of consultant team is in the pre-qualification stage.

Regarding the air traffic improvement, preliminary stage for preparation of a comprehensive study for medium and long-term development of the commercial airports in Skopje and Ohrid is ongoing, during which, inter alia, institutional model will also be proposed for management at both airports, and a strategy for improvement of their competitiveness in the region and realisation

of the necessary financial support and projected investments. It is planned to upgrade the air infrastructure by upgrading the level of the category of Skopje Airport of the runway to ILS CAT III (according to ICAO) and construction of additional passenger terminal with a modular structure for minimum flow 1.5 million passengers.

Regarding the transportation sector, public investments in the period 2007 - 2009 will be aimed at road and railways sectors. Regarding the roads, completion of Corridors VIII and X remains to be top priority. This stage includes the construction of Skopje ring road, a project worth EUR 120 million, being jointly financed by EIB, EBRD and the National and Regional Road Fund. Extension of E-75 at the section Smokvica – Gevgelija, funded by EBRD, is already completed.

Construction activities are envisaged for the following Corridor X sections: Demir Kapija – Udovo, Udovo – Smokvica, Tabanovce – Kumanovo, Bitola – Megitlija, as well as all Corridor 8 sections, where construction works have not be started yet. Hellenic Plan for Economic Reconstruction of the Balkans (HiPERB) places special emphasis on completion of the pan-European Corridor 10, i.e. completion of the sections in the Republic of Macedonia for which there is no road solution: Demir Kapija – Udovo and Udovo – Smokvica, at the same road direction, covering around 33 km in length. Funds from HiPERB, IPA Component 3 on regional development and loans are to be used for financing the project. Negotiations with the World Bank on Kumanovo – Tabanovce section regarding the construction of this section are in final stage and the credit is expected to be approved at the end of March 2007.

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

Regarding the railways sector, significant reforms are envisaged in Macedonian Railways Public Enterprise. In December 2006, Government of the Republic of Macedonia adopted Information on the status and transformation of Macedonian Railways Public Enterprise, according to which an Action Plan was also adopted and Steering Committee was established for coordination of the activities, as well as operational team for their implementation. Objective of the transformation of the existing Macedonian Railways Public Enterprise is improvement of the financial sustainability, productivity and efficiency of the railway traffic. According to the Action Plan, Macedonian Railways Public Enterprise will be reorganised by mid 2007, thus establishing two new entities: 1. Public enterprise for railway infrastructure, Macedonian Railways, and 2. Transport joint stock company Macedonian Railways Transport, which is to be privatised in 2008. In addition, National Programme on Railway Infrastructure is in the process of preparation, envisaging modernisation of the transport part and strengthening the human resources due to increases demand for transport services. Regarding the legislation, amendments were proposed to the Government of the Republic of Macedonia regarding the Law on Railways and the Law on Safety in Railway Traffic, thus completing the legal framework for reform support.

Investment priorities in the energy sector are the following: electricity generation by opening a new coal mine in Brod – Gneotino; privatisation of TPP Negotino, for which international tender was announced, and the pre-qualification stage is in progress; construction of 2 large and around 400 small hydro power plants according to the concession model; construction of combined heat and power plant for which international tender will be announced at end- February 2007. Priorities in the energy sector also include the investments aimed at energy connection with the neighbouring countries. Thus, construction of 400 kW long-distance power lines Stip – Mogila (Bulgaria) and Bitola – Lerin (Greece) is of great importance, since it will increase the stability of the electricity system in the Republic of Macedonia.

Fulfilment of the requirements in the European legislation on environment is directly related to large-scale investments. Having this fact in mind, projects on water supply, as well as on waste water and solid waste treatment, are top priorities regarding the investments in infrastructure in the Republic of Macedonia. Several projects in all of these areas are implemented or are planned to be implemented in the coming period, with financial support by multilateral financial institutions and bilateral donors. For instance, Lake Ohrid Conservation Project, the projects Lake Prespa Conservation Project – Stage 1 and Struga Water Supply were completed in 2005 and put into operation, while the Ecological Municipal Action Plan, project for improvement of water supply in several municipalities in the country, funded by EBRD, continued in 2006, and it is expected to be completed this year. Priority projects to be realised cover the completion of the first stage of the construction of HPP Zletovica, as well as completion of the Lisice water supply hydro system. Sources from multilateral banks for development and bilateral donors were also used for several projects for irrigation rehabilitation and reconstruction, which are now ongoing, such as the project for Bregalnica hydro-meliorative system, Tikves hydro-meliorative system, Radovice – Bistrica hydro-meliorative system, Gostivarsko Pole hydro-meliorative system and Banjicko Pole hydro-meliorative system, as well as the Irrigation of the Southern Vardar Valley Project.

Under the IPA Component 3 on regional development, regarding environment, construction of water treatment station in Prilep is envisaged. Tender procedure for preparation of technical documentation is completed.

Policy on environment investments will be also based on development of mechanisms for clean production, according to the Kyoto Protocol, and grant agreements have already been signed with the ministries of Slovenia and Italy, and National Strategy on mechanism development, identifying the priority projects. Future investments will also cover investments in solid waste management, landfill treatment and development of projects for utilisation of solid waste for energy production, as well as the one in Drisla landfill, stimulated by a Japanese investment.

Besides these activities, in the period 2007 – 2009, funds from multilateral financial institutions, bilateral donor and state budget will be used to continue the realisation of the education modernisation projects, health sector development and social protection implementation.

*Level and dynamic of trade integration of the country with EU prior to the enlargement (this refers to the scope and nature of goods already being traded with the member states).*

Traditionally, the European Union is the most important partner to the Republic of Macedonia. Share of the trade with the EU in the total trade of our country with abroad ranged from EUR 1.2 to 2.4 billion in the period 1999 – 2006, or from 42.5% to 48.5% in the total trade of the Republic of Macedonia.

During the same period, export from the Republic of Macedonia to the European Union ranged from EUR 506.75 million to EUR 1.05 billion in absolute terms, and its share in the total foreign trade of the Republic of Macedonia ranged from 45.1% to 55.2%, whereby the industrial products participated with 47.9% to 55.1%, and agricultural products with 27.2% to 57.4%.

Import from the European Union to the Republic of Macedonia ranged from EUR 682 million to 1.3 billion in absolute terms, and its share in the total foreign trade of the Republic of Macedonia ranged from 40.7% to 43.9%. Similar to the export, industrial products dominated when it is a matter of import, whereby their share varied from 38.0% to 44.2%, and the share of the agricultural products ranged from 17.1% to 29.6%.

Following EU member states are the most important partners to the Republic of Macedonia: Germany, Greece, Italy, the Netherlands, France and Slovenia. Most present products in the trade between the Republic of Macedonia and the European Union are the following: textile industry products, ferro-nickel, ferro-silicon, unalloyed zinc, hot-rolled iron products, electricity conductors, welded pipes, motor vehicles, oil, vine and raw, unprocessed tobacco. Traditionally, most present products in the Macedonian export are the following: textile products, ferro-nickel, ferro-silicon, unalloyed zinc, electricity conductors, lamb, vine and tobacco.

Indicators of trade cooperation between the Republic of Macedonia and EU show that share of the trade in and from EU is not that problematic, as the assortment of trade is, in particular the assortment of the Macedonian export. This is especially due to the fact that three quarters of the Macedonian export to the EU is covered by the following three branches: textile and textile products, metals and metal products and beverages and tobacco.

*SMEs and share of small companies:* Importance of the development of SMEs in the Macedonian economy is recognised not only as means to foster the less developed entrepreneurial spirit, but also to develop the consciousness for the consistent need for changes and reforms in the economic sphere. In addition, well established measures and policies for SME development, combined with measures and policies for competitiveness promotion, are considered to be one of the best ways to integrate the informal sector in the formal economy.

In parallel to the privatisation process, new companies have started entering the market, thus establishing the main part of the today's SME community. Government of the Republic of Macedonia has always included the support to SMEs in its core documents on development policies.

In July 2002, Government adopted National Strategy on SME Development. Since the adoption of the National Strategy on SME Development, 4 years have passed, and significant results in SME development have been achieved. However, many changes have occurred in the same time, imposing the need to revise the strategy and to prepare Revised National Strategy on SME Development (2002-2013), which is in governmental procedure. To the end of realising the objectives under the programme and the European Charter on SMEs, Programme for Development of Entrepreneurship, Competitiveness and Innovations (2007-2010) has been prepared, which is also in governmental procedure. The programme is a continuation of the activities undertaken with the previous Programme (2003-2006). Main components of the Programme are the following: 1) institutional infrastructure - architecture, 2) business environment, 3) finance and taxation and 4) innovations and competitiveness.

In 2004, new Entrepreneurship promotion Agency was established, being fully operational. Besides the Agency, there are 8 regional foundations for SME development, 7 business incubators, 4 centres for technology transfer, Centre for Promotion of SME Development within the Chamber of Commerce of the Republic of Macedonia, Start Up Centre and CRDCE Centre for Research, Development and Continuing Education, both being at the School of Mechanical Engineering. In 2004, first Euro Info Correspondence Centre was established.

Most part of the strategy for structural reforms and measures of the Government is aimed at improvement of the public management and overall surrounding for the economic activity in the country, such as: regulatory reform, simplified procedures for entrance and exit of the participants on the market; judiciary reform, improved functioning of the public administration and institutional support to the private sector development, better public and corporate governance, greater transparency and integrity.

Non-financial forms of entrepreneurial support include specific measures, which the existing institutions provide for the new or already established companies. So far, incubators have proven to be successful means to provide such kind of support. Results from the USAID-funded project on competitiveness activity are the establishment of five clusters of the Macedonian economy.

Other measures are also envisaged, such as: expansion of the advisory system through vouchers for consultant services, realisation of the third stage of the project – Human Resource development Fund starting from 2007 and its transformation into Academy for Managers. Additional reforms in the financial system in the country are also envisaged, to the end of improving the operations of the banking sector: additional improvement of the bank supervision, introduction of modern techniques for debt and risk management, development of securities market, etc. Macedonian Bank for Development Promotion will continue extending support to the Macedonian businesses, in particular the SMEs. Transformation of the Credit-Guarantee Fund is envisaged, to the end of greater efficiency in the support to the SMEs. Credit Rating Bureau is planned to be established in 2007. Reforms in the financial sector, together with the judiciary reforms aimed at increasing the capacity in resolving trade disputes, should contribute to the allocation of sufficient resources to the private sector.

**Level to which the government policy and legislation influence the competitiveness through trade policy, competitiveness policy, state aid, FDI, support to SMEs, etc.**

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

Recognising the importance of trade liberalisation for the economy, Government of the Republic of Macedonia conducted active process of opening the national economy towards the WTO membership and concluding free trade agreements with the main partners.

Republic of Macedonia implemented 11 Free Trade Agreements, 8 out of which are bilateral, with Serbia, Montenegro, Bosnia and Herzegovina, UNMIK Kosovo, Albania, Moldavia, Turkey and Ukraine, and 3 are multilateral, with EFTA, EU and CEFTA. By signing the new CEFTA 2006, which will start to be implemented in 2007, six (6) of the bilateral free trade agreements will become multilateral ones CEFTA 2006 and bilateral free trade agreements the Republic of Macedonian has concluded will be applied with Turkey and Ukraine.

Republic of Macedonia is the first country, out of the participants in the stabilisation and association process with EU, which has signed the Stabilisation and Association Agreement with EU. This Agreement immediately provides customs-free access for most of the Macedonian goods, except vine, sugar, veal and fish for which the Republic of Macedonia has obtained customs-free quotas and concessions, while Macedonian customs fees will be abolished gradually for most of the goods from EU in a transit period of 10 years.

In 2005, approximately 80.2% of the total trade of the Republic of Macedonia is realised with countries having signed free trade agreements, i.e. preferential trade treatment. Thereby, share in the export in these countries is around 90.1%, and they participate with around 74% in the import. Share in the trade with EU member states in 2005 was around 48.4%, and the share of the trade with other countries with which Republic of Macedonia concluded free trade agreements was 31.8%.

Government of the Republic of Macedonia is committed to improving the overall business climate by implementing deep structural reforms, creating institutional, regulatory and administrative framework compatible with the EU one. For the purpose of efficient and transparent public sector management, including the fight against corruption, series of activities are implemented to resolve the key weaknesses in the judiciary and to accelerate the resolving of the cases, customs and functioning of the relevant state institutions. By intensifying the reforms in the cadastre and ownership rights, registration and records on real estate will be improved, and full functioning of the Cadastre will be ensured by the end of 2008. For the purpose of improving the functioning of the labour market, key reforms being undertaken in this area are the following: 1. flexible usage of contractual agreements, 2. more flexible conditions for employment and dismissal, 3. adjustment of the unemployment benefits at an average level and period to the OECD countries due to elimination of the discouragement to work and 4. increase of the share of labour force by enabling flexible usage of temporary and part-time contracts. We expect for these reforms, coupled with the relatively low labour force costs and lower tax rates, to lead to increase in domestic and foreign direct investments and gross investments rate, which is an indispensable condition for boost of the economic growth and job creation in the Republic of Macedonia.

To the end of ensuring efficient tax system, the Government has undertaken activities to streamline the tax administration and improve the tax collection, whereby Large Taxpayers Office has been established and is put into operation. Regarding the tax rates, in 2007, PIT and profit tax rates are 12%, and there is 50% tax deduction for the reinvested profit. Reduced salary taxes are expected to provide for more new employments and legalisation of many working posts, which were in the grey economy so far. Transfer of part of the grey economy in the legal economy is one of the potential generators of GDP growth. Tax reduction regarding reinvested profit will motivate both the domestic and foreign companies to invest in new equipment and machines, thus making the production more competitive.

Aiming to accelerating the economic development by attracting foreign and domestic capital for development of new technologies and their usage in the national economy, increasing competitiveness of the Republic of Macedonia at the foreign market, increasing the export and the employment, Law on Technological Industrial Development Zones was adopted in February this

year. This Law will contribute to development of high propulsive and modern technologies by introducing economically profitable production and efficient usage of resources and application of the highest ecological standards. Regarding the investors in the zones, the Law envisages certain tax advantages, as follows: profit tax exemption for the first 10 years; reduction of VAT by 50% for the first 5 years and profit tax exemption: for sales in the zone (except for sales for final consumption); for imported goods, which, on the basis of special regulations, are imported in the zones provided that they are intended for final consumption, at the same time being subject to special regime, and for services directly related to that import.(under the condition the goods are not intended for final consumption)It is envisaged to lease the land in the zone for a period of 50 years, with a possibility to extend it to additional 25 years. For a company to qualify for this preferential tax regime envisaged in the Law, it is necessary for at least 80% of its sale on a yearly level to be export oriented outside the Republic of Macedonia.

Harmonisation of the Law on Technological Industrial Development Zones with the EU acquis will be attained in the process of accession of the Republic of Macedonia to the EU.

In January 2005, Foreign Investment Agency of the Republic of Macedonia was established and started operating. Pursuant to the basic legal provisions and principles, main priorities and tasks in the operations of the Agency for 2007 are the following: quality and quantitative development of Strategy for Attracting FDIs and preparation of sectoral studies; financial and personnel strengthening of the Agency; creating the image of the country and promotion of investment opportunities for the potential foreign investors; provision of high-professional services to the investors in the process of pre-investment, investment and reinvestment; monitoring and evaluation of the investment development.

Government of the Republic of Macedonia established Coordination Committee for Protection of Intellectual Property to coordinate the activities of the Ministry of Culture and the Industrial Property Protection Bureau, for the purpose of integral resolving of the issue on intellectual property protection. To the end of implementing the measure for intellectual property, copyrights and industrial property, capacity of the inspection services and the Market Inspection within the Ministry of Economy has been increased at several occasions. Number of inspectors dealing with copyrights protection inspection has been increased from 4 to 17, and the number of labour inspectors increased by 4 times.

Basic legal act regulating the competition protection in the Republic of Macedonia is the Law on Competition Protection (Official Gazette of the Republic of Macedonia, nos. 04/05 and 70/06), which is harmonised to a great extent with the Treaty establishing the European Community (Articles 81, 82 and 86); and EU measures 31962R0017, 32003R0001, 31971R2821, 32004R0139, 31997Y1209 (01) and 52001XC1222 (03). Additionally, and for the purpose of further harmonisation of the Macedonian legislation in the field of competition with the respective EU acquis, Government of the Republic of Macedonia adopted the necessary bylaws envisaged in the Law on Competition Protection in 2005.

Competent body to implement the Law on Competition protection is the Competition Protection Commission (CPC). The Commission is an independent state body, independent in performing its operations and adopting the decisions within the competences stipulated by the Law. It comprises a President and four members, appointed and dismissed by the Assembly of the Republic of Macedonia for a period of five years, with a right to re-appointment. The President and at least two members of the Commission are professionally engaged, and they are responsible to the Assembly of the Republic of Macedonia for their work.

Administrative, experts and other administrative and technical operations are performed by the specialised service within the Commission, employing 17 persons.

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

To the end of increasing the efficiency in implementing the Law on Competition Protection and the policies on competition protection, and pursuant to the constitutional amendments from 2005 (amendment XX), Competition Protection Commission, as a state body performing public authorisations, has been authorised to also act as an body in charge of misdemeanours and to announce sanctions for the misdemeanours stipulated in the Law on Competition Protection, and (Amendment XX) the courts to be involved, in terms of the legal protection, regarding the decisions by the Commission, thus achieving full independence and expertise in the control over the enforcement of the material law and procedural rules in the competition protection.

For the purpose of effectiveness of such authorisation, Law Amending the Law on Competition Protection, which precisely defines the manner and the terms and conditions for exercising such authorisation of the Commission, is already in parliamentary procedure and it is expected to be adopted in February 2007.



Efficient implementation of the competition protection policies also requires strengthening of the Commission's administrative capacity, thus by the end of 2007, it is planned to employ 5 persons in the specialised service in the Commission to work as enforcement agents, possessing advanced training, as well as to organise training for the Commission members and the employees in the specialised service for the purpose of efficient implementation of the Law on Competition protection. As one of the main components in the process of strengthening the institutional capacity of the Commission, such training is organised with a support from GTZ, EU Twinning Project: "Approximation of Legislation in Competition Policy and Strengthening the Administrative Capacity of the Competition Protection Authority" and the Business Environment Reform and Institutional Strengthening Project, as on-going foreign assistance in the field of competition protection.

For the purpose of increasing the transparency in the operations and the decision-making in the Commission, and in line with the practice of the national competition authorities in the EU member states, final decisions, reports on concentrations, opinions and other information on the activities of the Commission are published on its website, while the Commission decisions and the court decisions are published in the Official Gazette of the Republic of Macedonia as well.

State aid in the Republic of Macedonia is regulated by the Law on State Aid (Official Gazette of the Republic of Macedonia, no. 24/03) and the Law Amending the Law on State Aid (Official Gazette of the Republic of Macedonia, no. 70/06). These legal acts make the Macedonian legislation in the field of state aid harmonised, to a great extent, with the European legislation, i.e. relevant articles from the Treaty establishing the European Community and the EU measures are fully transposed: 32001R0069 and 31999R0659. Legal framework in the field of state aid also comprises the relevant bylaws.

In terms of further harmonisation of the Macedonian legislation with the EU measures, it is planned to introduce and create reliable track record on the implementation of the control over state aid, adopt methodology to determine the level of compensation of the enterprise being entrusted to render services of general economic interest and harmonise the industrial policies with the state aid regulations.

From the point of view of the institutional setup, pursuant to the Law Amending the Law on State Aid, competence to supervise and control the state aid in the Republic of Macedonia has been assigned to the Competition Protection Commission. Previously, this competence was performed by the State Aid Commission, whose institutional capacity did not correspond to the needs for efficient implementation of the Law on State Aid. Specialised and technical activities of the State Aid Commission were performed by the State Aid Unit within the Ministry of Economy. When the Law Amending the Law on State Aid came into force, State Aid Control Department was established within the Competition Protection Commission, while the State Aid Commission and the Unit within the Ministry of Economy were abolished.

State Aid Control Department within the Competition Protection Commission proposes decisions on the compatibility of each state aid pursuant to the Law, upon which the Commission decides by approving or rejecting such decisions. The Department employs 4 persons, and to the end of further strengthening of its institutional capacity, 3 new employments are envisaged to take place in 2007, i.e. one new employment in 2008. For the purpose of efficient enforcement of the Law, further training of the employees in the Department is necessary. To that end, foreign assistance is provided through the project for Reforms in the Business Environment Reform and Institutional Strengthening Project.

For the purpose of transparency in the operations and decision-making in the Commission, Commission decisions on compatibility of state aid are announced in the Official Gazette of the Republic of Macedonia.

***Reforms in sectors aimed at productivity and competitiveness increase (agriculture and rural development, production sector, including diversification of the industrial base);*** Main principle in the industrial policy applied in the Republic of Macedonia is establishment and maintenance of equal treatment of all business entities and provision of equal conditions for market competition. This will be attained through creating stable, easily accessible and fully predictable institutional infrastructure, adequate combination of element of the economic system and appropriate measures of the current (short-term) and development (long-term) policies. Thus, industrial policy of Macedonia generally has horizontal approach, creating conditions for equal market competition and defining measures, instruments and programmes for policies the objective of which is - by ensuring different types of business restructuring and technical and technological improvement - increase of the competition (productivity) of the Macedonian economy.

Main objectives and priorities of the future industrial policy aimed at creation of competitiveness of the Macedonian economy are the following: (a) creation of stable and fully predictable institutional surrounding and framework to match the needs of the modern market economy; (b) accurate and gradual harmonisation, as well as adoption of the EU acquis; and (c) implementation of proactive industrial policy for promotion and development of potential businesses. Thus, special attention needs to be placed on the harmonisation of the priority goals of the industrial policy with the ones of the general economic policy

Unlike the horizontal level, being dominant part in the industrial policy implemented in the Republic of Macedonia, sectoral (vertical) level of the industrial policy is of much greater importance.

Several strategies on development of certain sectors have been developed, whereby the industrial policy has not provided direct and selective support to certain sectors. National Programme on Restructuring and Conversion has been prepared in the sector for steel production, which arises as an obligation from the Protocol 2 in the Stabilisation and Association Agreement. To that end,

within the 2000 - 2006 CARDS Programme (Council Regulation 2666/2000), funds are allocated for preparation of National Programme on Restructuring and Conversion in the Steel Industry, as support to the specific sector within the preparation of the National Plan for Economic Development. The Programme envisages restructuring of the enterprises in the steel industry to the end of maintaining their economic viability after its implementation, as well as helping them to become more competitive on the global market.

Preparation of the Strategy for Development of Textile Industry is expected to be completed in the first half of 2007. It should provide answers to the future development of this labour-intensive and export-oriented industrial branch. Structural reforms are aimed at high-income brand products and gradual abandoning of the inward processing, as well as improvement of efficiency, productivity and innovations.

In addition, Strategy on Tourism Development will be prepared in 2007, to offer a concept for tourism development and promotion in the Republic of Macedonia.

To the end of creating single comprehensive document for industrial policy in 2007, a Study on competition indicators will be prepared, as basis for the Strategy on Industrial Policy to be prepared in 2008.

Increase of the competitiveness of the Macedonian enterprises and products is one of the top priorities set in the Programme of the Government of the Republic of Macedonia. This priority will be realised through micro-economic reforms, increase of investments in IT and knowledge, as well as through building partnership relation with the business community.

For the purpose of integral approach towards formulating the economic policy, Government of the Republic of Macedonia has established a dialogue with the business community on regular basis. Regular meetings are organised each 2 weeks with the Chamber of Commerce of Macedonia Association of Chambers of Commerce, Chamber of Northeast Macedonia, International Investors Council and the National Council for Entrepreneurship and Competitiveness, during which specific proposals by the private sector are considered and problems it faces when performing the business activities are solved, all to the end of promoting the competitiveness.

In June 2003, National Council for Entrepreneurship and Competitiveness was established, as a tripartite public-private body comprising representatives from the private sector, the Government and the civil society. Primary task of the Council is to prepare strategies for improving the conditions for business operations, to the end of supporting the Macedonian enterprises, the clusters and other active business associations in developing, promoting and exporting their products and services with high value added. The Council performs its organisational activities through the Assembly, Management Board, Supervision Board, Advisory Group and internal committees: 1) for competitiveness, 2) technological development, 3) regulations, 4) cluster activities (support to specific initiatives for the purpose of improving the competitiveness), 5) education, 6) local/regional economic development and 7) budget and coordination with international donor organisations. National Council for Entrepreneurship and Competitiveness has set five clusters, which are extended special support: cluster for lamb meat and cheese, cluster for tourism, cluster for IT, cluster for vine and cluster for clothing. Regarding the progress of the selected clusters in the previous period, progress was achieved in terms of accepting the idea for joining in clusters and in terms of understanding the benefits arising from the joining in clusters by the managers in the companies joined in clusters. Thus, in January 2006, having the idea and the possible benefits from the joining in clusters as a starting point, new cluster was established in the wood industry, which is expected to use the experience of the existing one so as to start with intensive activities and progress, to the end of improving the productivity and bringing together the export offer. In 2007, activities pertaining to new cluster associations will continue.

In December 2005, National Council for Entrepreneurship and Competitiveness of Macedonia announced the first, and in 2006, the second National Report on Competitiveness of the Republic of Macedonia. This document is a comprehensive detailed assessment of the existing competitive abilities of the Macedonian economy, as well as a list of priorities and key recommendations for improvement of the competitiveness of the Macedonian economy. Key recommendations indicated in the Report are the following: intensification of the structural reforms in the country, by intensifying the process of transfer of competences from central to local level; (by strengthening the institutional infrastructure) support to development of innovations, transfer of technologies and "knowledge-based enterprises"; preparation of policy for technology development in Macedonia; reforms in the education system to the end of creating labour force to meet the requirements of the enterprises, and integration of the education in line with the business needs; full implementation of the European credit-transfer system at the universities in the Republic of Macedonia; creation of a system of lifelong learning and specialised training of the employees; stimulating further inflow of FDIs; stimulating the entrance of large foreign banks on the market, leading to reduction of interest rates, creating conditions for introduction of new technologies, applying innovations in the production and increasing productivity. Micro-economic conditions for on-going maintenance of the productivity level require reforms in the financial sector and introduction of new technologies for debt and risk management, and increase of the financial intermediation.

Implementation of these and other recommendations will create basis for increase of competitiveness in the Macedonian economy on the medium term, taking into account the realisation of the comparative advantages of the country.

As a result of the processes of intensive integration of the country in the international flows of exchange of goods, mainly through the accession of the Republic of Macedonia into the WTO and the signing of the other multilateral and bilateral free trade agreements, in conditions of non-restructured sector and low competition, Macedonian agriculture is facing big challenges. In

addition, due to the process of political accession to EU, aimed at preparation of the national economy to act in conditions of common European market and approximation to the European standards for food quality and safety, Macedonian agricultural and food product needs to be harmonised with the requirements on the domestic and the European markets in terms of the price, quality and expectations of the consumers in conditions of increase competition. In order to attain this, it is necessary to restructure the predominant unfavourable structure of the producers, who either produce limited market surplus or meet their needs, particularly into specialised farmers and food producers with increased economy of scale, thus minimizing the costs, improving the productivity of the production factors and increasing the development potential in line with the real comparative advantages. On the other hand, less competitive farmers need to be provided possibility to diversify the economic activities in production of non-traditional agricultural products demanded on the markets, which generate higher income than the limited resources, as well as in activities at rural households that are not necessarily related only to the agricultural production.

Taking these challenges into account, Ministry of Agriculture, Forestry and Water Economy adheres to its global objective, as basis for development of the agriculture sector and establishment of agriculture policy and rural development policy.

“Strengthening the capability of Macedonian agriculture so as to be competitive on the integrated regional markets in the European Union and Southeast Europe by undertaking measures to increase efficiency of the agricultural production, processing and marketing; establishing and upgrading the relevant and effective public and private institutions; improving agriculture income; providing access for the consumers to safe and healthy food; optimal usage of the limited resources of the land, forests and water, in ecologically sustainable manner; and establishing sustainable rural communities through constant rural development”.

Thus, strategic development objectives, harmonised with the objectives of the EU Common Agricultural Policy (CAP), on which future policies on development of agriculture and rural areas are to be based, are aimed at:

- strengthening the competitiveness and improving the income of the farmers, taking into account the importance of the agriculture for the social stability of the country,
- optimal usage of available natural resources in an ecologically sustainable manner,
- provision of healthy and safe food for the consumers, mostly domestically produced in line with the comparative advantages of the production in individual branches,
- support to the development of rural areas for the purpose of stopping the process of further depopulation of the whole parts of the country and maintenance of equal regional development,
- gradual harmonisation of the Macedonian agricultural policy and institutions with the European Common Agricultural Policy, observing the national priorities and interest for development of this sector.

Specific objectives that need to contribute to creation of a favourable climate for realising the strategic development objectives are the following:

1. creation of **efficient land market**,
2. **improvement of the income of the farmers and increased investments** for modernisation and restructuring of farms through balanced and complementary measures for direct support (according to the comparative advantage of the key domestic products) and measures for rural development,
3. **exit of largest part of the agriculture sector from the area of the grey-unregistered economy**,
4. **provision of better general living conditions in the rural areas** with improved infrastructure, establishment of rural development centres and creation of more mixed economic base in the rural areas,
5. **reformed and strengthened public and professional institutions in the sector** which interact in a transparent and organised manner in strengthening the relations on the market, establishment of agricultural policy and implementation of efficient measures like the EU CAP, in particular with a sufficient capacity to **absorb the EU pre-accession funds**.
6. promotion of **organised cooperation among the farmers** to the end of ensuring the necessary economy of scale in both the production and the marketing,
7. **rational and earmarked usage and management of budgetary funds, as well as efficient planning of foreign assistance** and cooperation in achieving the strategic objectives.

Thus, one of the key measures starting 2007 is to further accelerate the process of improvement of state-owned land management and to create conditions for functioning of the agricultural land market. During the above mentioned period, agricultural policy measures will be aimed at development of the agricultural land market, improvement of the system of management with state-owned agricultural land and pastures, adhering to the principles of transparency and efficiency, merger of the fragmented agricultural land and improvement of agricultural land protection. To the end of realising the above-mentioned measures in 2007, new Law on Agricultural Land is in the adoption stage, and the process of harmonisation of the national land cadastre records, as a pre-condition to implement the agricultural land policy, all that to the end of development of a comprehensive national system for registration of real estate, being the basis for establishment of agricultural land registry. In addition, activities in the coming period will be also aimed at strengthening the capacity of the state administration to implement the system for distribution of state-owned agricultural land. Thus, activities have already been commenced for establishment of

information system for distribution of state-owned agricultural land. Positive experience at the CARDS Project for Vineyard Monitoring and Management System piloting Vineyard Cadastre in the Tikvesh Wine Region will be used in the second stage in 2007, to the end of covering all the surface of vineyards in the coming period. It is planned for this system to be a stable basis for development of agricultural land cadastre for the whole agricultural land.

In addition, measures for agriculture support of the Government of the Republic of Macedonia are part of the combined and complementary reform measures to ensure comprehensive basis for support to overcome the unfavourable structure of the agricultural production and increase the competitiveness for the purpose of achieving development of the Macedonian agriculture and of the rural areas in general. Support to the sector is organised through the following set of measures:

**Direct payment measures** – in conditions of increased level of trade liberalisation, direct payment measures are designed to ensure favourable influence and support to the income of farmers, development promotion and restructuring to the end of competitiveness increase. Main **principles** which the Ministry of Agriculture, Forestry and Water Economy observed when defining the support programme and when determining the individual measures are the following: (1) generating development and economic growth with a positive influence on the income of the farmers and social stability for the farmers; (2) support aimed at stimulating the improvement of the competitiveness at the entrepreneurial producers and towards the agricultural products with clear comparative advantage in relation to the foreign products on the domestic and foreign markets; (3) increase of the amount of subsidies for agricultural production by three times in relation to 2005 and reaching the level of around EUR 20 million in 2010; (4) reduction of trade deficit which is to come closer to the surplus in 2010; (5) gradual harmonisation of the domestic support measures with the EU Common Agricultural Policy; (6) observing the obligations arising from the accession to the WTO in 2003, pertaining to the undertaken limitations for access to the market (volume of customs protection), scope of summary support measures and export support; and (7) full control and traceability in the realisation of the support measures.

For the purpose of achieving the define objectives, support policy is aimed at the following main categories of products, i.e. producers:

- support to competitive, export-oriented traditional products;
- intensive production of **alternative and/or non-traditional products** with export potential, which generate higher income with more limited resources;
- support to the traditional products socially important for the rural areas and significant for the safety in providing essential food for the population;
- support to the products that have **significant share in the import value**, and have unused potential to increase the production;
- support to the production of high-yield, certified seeds and seedlings, adjusted to the domestic conditions;
- support to **introduction of certification and registration systems**, which increase the product value (HACCP, EUROGAP, organic production certification);
- support to **organising the farmers** for the purpose of overcoming the problem of fragmentation and limitation of the capacity for investments, procurement, larger quantum and unified production quality.

**Rural development measures** – following the EU Common Agricultural Policy trends, where the second pillar gains importance, rural development in the period to come will be the main effort of the Republic of Macedonia, both institutionally and from the point of view of the policies. However, process of adoption of the rural development policy is in the initial stage, and at the moment there is no comprehensive rural development strategy or policy, and by 2006 there was no institution fully responsible for the rural development policy. Thus, within the Ministry of Agriculture, Forestry and Water Economy, National Strategy on Agriculture and Rural Development (2007-2013) is in preparatory stage, envisaged to be adopted in the first half of 2007. In 2006, Ministry of Agriculture, Forestry and Water Economy was appointed by the Government as Rural development Management Institution (Official Gazette of the Republic of Macedonia, No. 5/2006), and in coordination with the other relevant concerned parties in the country, policy and the necessary institutions are to be developed so as to ensure sustainable development of the rural areas. In line with that Decision, Ministry of Agriculture, Forestry and Water Economy is obliged to establish inter-institutional body for rural development, to manage the preparation of the Rural Development Plan. In addition, Ministry of Agriculture, Forestry and Water Economy was appointed to design the measures and activities, control and assess the implementation of the rural development programme and to coordinate the activities therefrom, from the point of view of the policies implemented by different institutions, to the end of ensuring the inclusion of all relevant institutions and parties, and to supervise the financial functions pertaining to the rural development.

Rural development measures being realised in the Republic of Macedonia include the following:

- farm investments;
- investments in processing capacities;
- diversification of the economic activities in the rural areas; and
- quality investments in rural infrastructure, mainly in water economy.

Realisation of the above-mentioned measures and challenges for structural adjustment in the agriculture sector will also contribute to strengthening the institutional and administrative capacities in the institutional framework for implementation of

agricultural policy measures in line with the EU requirements, capable of designing the policies, assessing and monitoring the reforms in line with the Common Agricultural Policy trends and gradual adjustment of the mechanism of structural, market price and trade policy of the EU. These activities will be followed by respective legal adjustments and optimal capacities to implement the policy.

Comprehensive Strategy for development of Agriculture and Rural Areas will be submitted to the Government for adoption at the beginning of 2007. This document is aimed at ensuring solid basis and guidelines for the future policy for development of agriculture and rural areas and institutional development, bringing the national priorities together within the EU integration agenda.

Law on Agricultural Census was amended in 2006, and actual census will be implemented in June 2007, as one of the top priorities necessary to strengthen the planning when joining the EU. Establishment of a single farm registry will be the next step after obtaining the agricultural census results, upgrades through integration of different registries/databases on standardised procedures and methodologies for management, access and exchange of information. In line with these efforts, existing Farm Monitoring System in the National Network of Farm Accounting "Macedonian FADN", supported by the Law on Farm Accounting, taking into account the features of the agricultural activity as a specific economic activity.

Regarding the increase of the absorption capacity for IPARD, establishment of IPARD Agency will be intensified in 2007 and 2008. During this period, the following activities will be realised: employment, capacity building, IT systems and respective training. Activities will be supported with grants, mainly through the CARDS Programme, other donors and budget of the Ministry of Agriculture, Forestry and Water Economy.

With the aim of strengthening the services in the agriculture sector, and in the direction of realising the strategic objective to ensure healthy and quality food for the consumers, in the period 2007-2009, the focus will be placed on reorganising the veterinary services and inspections in line with the EU and constant improvement of the system of animal health control, improvement of public veterinary health system, introduction and implementation of efficient and sustainable animal food control system, i.e. its production and distribution, introduction and implementation of efficient and sustainable system for adjustment and control over the production, traffic and usage of animal feed and animal diet, establishment of a laboratory for research of infectious diseases at animals, animal food, appropriateness of the animal feed up to accreditation as referent laboratory, introduction and implementation of efficient and sustainable animal identification and registration supported by Animal I&R CARDS Project stage 3, implementation system for harmless animal waste removal to protect the environment from pollution, preparation of animal welfare legislation, introduction and implementation of efficient and sustainable traceability system and prevention of infectious animal diseases.

Thus, regarding the phytosanitary area, already commenced activities of reorganising the existing service for plant protection and establishing of State Phytosanitary Laboratory (supported by CARDS Project "National Integrated Phytosanitary System") will continue. The existing Phytosanitary Directorate within the Ministry of Agriculture, Forestry and Water Economy will be reorganised by strengthening the department in charge of (1) plant protection products and residues, and (2) plant health issues, and specific actions will be undertaken in the period 2007- 2009 in terms of establishing traceability system throughout the whole territory to prevent occurrence, spreading and reduction of damages caused by harmful plant organisms, regulating the traffic and use of fertilizers by passing new national legislation and upgrading the State Phytosanitary Laboratory and raising it up to a level of referent laboratory for plant health protection.

To the end of boosting the efficiency in the operations of the agricultural inspection, inspection structures will be reorganised and strengthened in order to achieve a higher degree of protection of legislation and harmonisation with the EU standards. To be more precise, agriculture inspection will be strengthened with human capacity, attending appropriate training and equipment to be capable to support the implementation of the IPARD Plan.

In addition, an upgrade in ancillary services will take place in order to bring Macedonian legislation in line with the EU requirements (Agriculture Institute, Livestock Institute, Institute for Southern Crops, and Institute for Tobacco Crops). Multi-annual agriculture research programme will be prepared, in cooperation with the agriculture public scientific institutions (PSI), for the period 2007-2009 in line with the strategic guidelines for agricultural development. Accordingly, National Committee on creating and transfer of knowledge will be established in 2008. In parallel, institutional capacity for informal education and training in the field of agriculture will be created, to be supported by the Agricultural Education Centre (AEC) within the Agricultural Institute – Skopje to represent a link between the research centres and the advisory services and the farmers directly.

## **3 CAPACITY FOR ASSUMING THE OBLIGATIONS FROM EU MEMBERSHIP**

### **3.1 FREE MOVEMENT OF GOODS**

#### **3.1.1 HORIZONTAL ISSUES**

##### **LEGAL FRAMEWORK**

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

- Law on Accreditation (Official Gazette of the Republic of Macedonia, No.54/2002)
- Law on Standardisation (Official Gazette of the Republic of Macedonia, No.54/2002)
- Metrology Law (Official Gazette of the Republic of Macedonia, No.55/2002)
- Law on Products Safety of March 29, 2006 (Official Gazette of the Republic of Macedonia, No. 33/2006)
- Law on Market Inspection (Official Gazette of the Republic of Macedonia, Nos.35/97, 23/99, 7/2002)
- Law on Technical Inspection (Official Gazette of the Republic of Macedonia, No.28/99) and amendments to the Law on Technical Inspection (Official Gazette of the Republic of Macedonia No. 82/2005).
- Law on Trade (Official Gazette of the Republic of Macedonia, No. 16/2004)
- Law on Consumer Protection (Official Gazette of the Republic of Macedonia, No.38/2004).
- Law on General Administrative Procedure (Official Gazette of the Republic of Macedonia, No.38/2005)
- Law on the Organisation and Operation of State Administrative Bodies (Official Gazette of the Republic of Macedonia No. 58/2000 and 44/2002).

##### **INSTITUTIONAL FRAMEWORK**

During 2002, the Institute of Standardisation and Institute of Accreditation were created based upon separate laws (Official Gazette of the Republic of Macedonia No.54/02 and 55/02), as well as the Metrology Bureau, which is a body within the Ministry of Economy.

The coordinative role for realisation of the priorities in the area of free movement of goods lies with the Ministry of Economy. In March 2006, the Ministry of Economy has made a progress by establishing a Sector for Internal Market. This sector consists of three units: Unit for consumer protection, Unit for free movement of goods and Unit for harmonisation of technical regulations. The Unit for administrative and legal normative affairs and the Sector of Industry also participate in this area.

Competent institutions other than the Ministry of Economy participating actively in the implementation of the priorities in the area of Free Movement of Goods are: Ministry of Health, Ministry of Labour and Social Policy, Ministry of Transport and Communications, Ministry of Environment and Physical Planning, Institute of Standardisation, Institute of Accreditation, Metrology Bureau, State Market Inspectorate, State Technical Inspectorate, and the Ministry of Interior.

Within the procedural measures, active participants are the Customs Office of the RM, State Statistical Office and the Ministry of Culture and other bodies having competences in the area of non-foodstuffs safety. The preparation of the activities concerning the procedural measures will commence after the completion of the legal regulations from the old and the new approach.

The State Market Inspectorate, along with the other inspection bodies, is an implementing body for the legislation having a competence for Market surveillance, with a total number of employees of 229, out of which 155 are inspectors.

##### **STRATEGIC DOCUMENTS**

The Ministry of Economy prepared a Work programme for transposition of the directives from the new and old approach. The Government of the RM in 2006 adopted a Medium-term Programme for development of a metrological infrastructure, with Policy for development of metrological infrastructure and Action Plan for implementation of the medium-term Programme, National Policy for Accreditation and National Policy for Standardisation.

Programme for market surveillance will be prepared, whereas the Coordinative body for market surveillance established by the Government of the Republic of Macedonia will be responsible for its realisation within the framework of the project financed by World Bank – BERIS.

##### **STANDARDISATION**

The Law on Standardisation (Official Gazette of the Republic of Macedonia, No. 54/2002) regulates the aims and the principles of Macedonian national standardisation, the status of ISRM as well as its tasks, the association in the international and European

standardisation organisations, its financing, preparation, adoption and publishing of Macedonian national standards and their implementation.

The primary internal acts adopted for carrying out the activities and tasks laid down in the Law on standardisation of ISRM are: Statute of the Institute for Standardisation of the Republic of Macedonia, Rulebook on the preparation and adoption of the Macedonian standards and other standardisation documents, Rulebook on establishing and operation of the technical working bodies of ISRM and other acts.

ISRM is a full-fledged member of the ISO (International Organisation for Standardisation) since 1995, associate member of the IEC (International Electrotechnical Commission) since 14 January 2005, associate member of the CEN (European Committee for Standardisation) since 1 July 2003 and the CENELEC (European Committee for Electrotechnical Standardisation) since 3 March 2005. On 15 December 2006, ISRM and ETSI signed a Memorandum of Understanding in the area of telecommunications. According to the Memorandum, the obligations and the responsibilities of ISRM address the implementation of the relevant procedures for preparation and adoption of the European standards as Macedonian standards in the area of telecommunications. In 2006, ISRM has strengthened its human resources capacity with eight new employees assigned to different positions according to the Rulebook on the internal organisation. The total number of employees is 14. During 2006, the employees participated in trainings, seminars, and training workshops. By October 2006, 1347 European standards are adopted as Macedonian standards out of which 1264 are harmonised standards from the New Approach Directives.

In ISRM there are 15 technical mirror committees (ISRM TC) with a different scope of activity that are active in the process of adoption of the European standards as Macedonian. The establishment of 3 technical committees is ongoing, and initiatives were submitted for establishing of 4 additional technical committees.

Since August 2006, ISRM web page has been created ([www.isrm.gov.mk](http://www.isrm.gov.mk)) where all up to date information concerning the Macedonian standardisation is placed for public access.

## **ACCREDITATION**

The Institute of Accreditation was established as a special public institution performing tasks and duties of a national accreditation service in the Republic of Macedonia (hereinafter referred to as IARM). Accreditation is an expert procedure by which the IARM, in accordance with the accreditation (Law on Accreditation, Official Gazette of the Republic of Macedonia No.54/02 and the Decision of the Government of the Republic of Macedonia, Official Gazette of the Republic of Macedonia, No. 14/2003) formally confirms the ability of an institution to perform specific tasks in the area of conformity assessment by means of certificate. Accreditation is an activity of public interest.

The rules for accreditation are in full compliance with the European and international standards (series EN 45000 and series ISO 17000), the regulations and the guidelines of EA, IAF and ILAC, and the European best practices in this area.

IARM represents the RM in the European and international organisations for accreditation and participates in their work. In 2005, IARM signed an agreement for cooperation with EA (European cooperation in the area of accreditation). After obtaining the status of an EU membership candidate country, IARM started a procedure for full-fledged membership in EA. The first pre-assessment of IARM by EA was completed in 2006, and the assessment report is generally positive. The detailed description of the IARM work is covered in the document "National accreditation policy", as well as the annual IARM work programs.

IARM collaborates with the national bodies for accreditation in other states, especially in the region, based on a formal and informal cooperation with: SA, HAA, JUAT, ESYD, BAS and BATA. In December 2005, IARM webpage was created ([www.iarm.gov.mk](http://www.iarm.gov.mk)), where all the information on accreditation is presented for public access.

## **METROLOGY**

The Metrology Bureau is a specialised expert body within the Ministry of Economy, which performs tasks and duties regarding the metrology system of the Republic of Macedonia. The primary task of the Metrology Bureau is the provision of traceability (of physical size of measurement units in the country and worldwide) and performance, storage and maintenance of national metrics and certified reference materials as well as calibration of metrics and meters. In order to perform these tasks, the Metrology Bureau cooperates with specialised international and regional organisations (OIML, CGPM, EUROMET, and WELMEC) where it represents the Republic of Macedonia.

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

The Metrology Council was created within the Metrology Bureau and is operating as an expert advisory body. The following bylaws were adopted in the area of metrology:

- Decision on the amount and the manner of payment for the services provided by the Metrology Bureau and the authorised legal person;
- Rulebook on the form and manner of maintaining the entry register of marks and conformity certificates concerning the type of meters and marks and seals, i.e. certificates for verification of meters of foreign origin and form and content of the entry decision in the register and decision rejecting entering in the register;
- Rulebook on the manner and procedure for first, periodical and extraordinary verification of meters;
- Rulebook for the forms of the marks and seals in use for verification of the measures as well for the content of the certificate for the verification of the measures;
- Rulebook for the manner and the procedure of the expert oversight;
- Rulebook on the form and manner and procedure for issuing and withdrawing of the identification card for professional supervision.

In 2006, the RM became an associate member of the General Conference for Weights and Measures of the Metre Convention, and on 19.12.2006 a MRA- international Mutual Recognition Arrangement of national measurement standards and of calibration and measurement certificates issued by national metrology institutes, was signed.

Within the Metrology Bureau there are nine laboratories for calibration of measurement instruments of which six are operational (laboratory for weight, pressure, length and angle, volume and flow, density, frequency and time). Six engineers of technical sciences are employed in the laboratories. During 2006, ten calibrations have been carried out.

Relationship is established with the countries-producers of the calibration equipment for the training of the employed in calibration of measurement instruments, and part of the employed participated in training in some of those countries. In mid 2006, the Metrology Bureau became a candidate for membership in EUROMET (December 2006) and assigned its own representatives to some of its technical committees.

Bilateral Memoranda of Cooperation were signed with foreign institutes: Turkish Metrological Institute (UME), Bulgarian Metrological Institute, and with the domestic Universities and science institutions: Technical Faculty in Bitola, Faculty of Mechanical Engineering in Skopje, Mining Institute – Skopje etc.

EUROMET is planning to support the regional cooperation of the national institutes of Southeast Europe, among which is the Metrology Bureau, by establishing a work group for support.

### **CONFORMITY ASSESSMENT (TESTING, INSPECTION, CERTIFICATION)**

The conformity assessment in the RM is regulated by the Law on Products Safety, and the Minister is authorised to adopt technical regulations for accrediting interested bodies to perform conformity assessment by means of a decision. The Accreditation is considered to be an assumption for eligibility for authorisation of bodies. In the RM, there is a system of authorised bodies and they will continue to function 1 to 2 years at the latest from the day of entering into force of the technical regulations and rulebooks, respectively. The Government of the RM in the document "National accreditation policy" has adopted the accreditation of the bodies for the conformity assessment as a tool with the procedure for authorisation – notification of the bodies for conformity assessment in the regulated area.

There is ongoing accreditation of laboratories, certification and inspection (control) bodies, the status of which is identified according to the old legal framework and the old manner of approval, authorisation and accreditation, in compliance with the Law on Accreditation and the relevant international and European standards in order to assess and confirm its technical competence. Part of them already started the procedure for obtaining accreditation (more than 15 applications for accreditation). By November 2006, IARM has accredited 11 bodies for conformity assessment, 4 of which are authorised by the Minister of Economy.

### **MARKET SURVEILLANCE**

Market surveillance in the Republic of Macedonia is implemented for monitoring and determining whether the goods placed on the market are in accordance with the relevant legislation. Namely, market surveillance (inspection) means verification whether the products fulfil the requirements of the relevant directives (by acception of directives or old national legislation, where harmonisation still does not exist), followed by activities for harmonisation of the products and finally pronouncing sanctions when necessary. Market surveillance protects the interests of consumers, workers and other users, as well as economic operators.

The coordination between the market surveillance bodies (inspection services) is performed on the basis of the Law on General Administrative Procedure, the Law on the Organisation and Operation of State Administrative Bodies (Official Gazette of the Republic of Macedonia Nos. 58/2000 and 44/2002), as well as the specific laws for inspection bodies which regulate the competencies of every state administration body.



Before the start of the customs procedure, the State Market Inspectorate performs an inspection of all goods (non-foodstuffs), in terms of labelling and instructions for use which should be written in Macedonian language and Cyrillic alphabet and placed on the original package, which does not exclude the possibility of simultaneous use of other languages and signs easily comprehensible for the consumers, and afterwards prepares a document (report) on the basis of which the relevant customs authority performs customs clearance. The exchange of information between the different relevant bodies is performed continuously and with constant mutual communication.

### SHORT-TERM PRIORITIES

Considering the implementation of the provisions of the Law on Products Safety and the Rulebooks of the new and old approach, in 2007 Commission for Products Safety will be established at the proposal of the Minister of Economy and the Government of the RM. The Commission will consist of representatives from the Ministry of Economy, Ministry of Health, Ministry of Transport and Communications, Ministry of Interior, Ministry of Environment and Physical Planning, Consumer Organisation and the Chamber of Commerce of the RM. Law amending the Law on Products Safety for product with aim for harmonisation with the Law on Misdemeanours will be adopted in the 2007/I.

During 2007, adoption of bylaws will follow, which will be prepared with the technical support of GTZ and will regulate: the manner, procedure and deadlines for reporting, as well as the manner, procedure, criteria and methods for assessment of danger on the part of the producers and distributors; exchange of information with EC for the adopted inspection measures for withdrawing and complete withdrawing of products from the market; reporting through the RAPEX system; manner and procedure for authorisation of the bodies for conformity assessment as well as the manner and the procedure for notification of the bodies for conformity assessment in EC, the manner and the procedure for revoking of decisions for authorisation, form and content of the registry for evidence of decisions for authorisation, and the decisions for repealing of authorisation; the procedure for adopting technical and non-harmonised regulations and standards;

With the transposition of New Approach Directives into Rulebooks in the RM and their implementation during 2007, a national promotion campaign is planned in order to familiarise the consumers with the meaning of the "CE" marking. This campaign will be realised with the foreign technical support by GTZ – German Technical Support, which has implemented the technical support for the harmonisation of the New Approach Directives.

The plans in the area of standardisation include:

- Strengthening of the human resources capacity of ISRM with nine new employments;
- Preparation and adoption of the Programme for Adoption of Macedonian Standards for 2007 and accordingly adoption of 1450 European and international standards as Macedonian.
- Adoption of standards by the endorsing method – announcement for adoption and translation;
- Starting the process of translation of European standards into Macedonian language;
- Establishment of a national technical infrastructure for standardisation through creation of technical committees for specific areas - *mirror* technical committees whose scope of work shall cover the scope of work of the technical committees within the European standardisation institutions (CEN and CENELEC) and in accordance with the requirements of the Macedonian economy and business and initiatives of interested parties. The creation of 25 national *mirror* technical committees is foreseen to be completed by the end of 2007;
- Active participation and monitoring of the work of the relevant committees in the European and international bodies for standardisation;
- Training of the employed in the ISRM and of the technical committee experts;
- Realisation of international cooperation through signing of the Agreement for cooperation and Agreement for selling with the European Institute for Telecommunication Equipment (ETSI);
- Establishment of information system through procurement of a system for documents and database management;
- Promotion campaign for informing and active inclusion of the business community and the other interested parties in the process of standardisation.

In the area of accreditation:

The following activities are foreseen:

- accreditation of conformity assessment bodies (laboratories, certification bodies, inspection bodies)
- membership in the EA as a fully-fledged member (IARM at the beginning of 2006 submitted an application for full-fledged membership in EA. In October 2006 the EA commission made a pre-assessment of IARM in order to determine whether it is eligible for membership. The final decision concerning the full-fledged membership is expected in the first half of 2007);
- membership in the IAF, ILAC - international accreditation organisations.
- trainings concerning the principles and requirements in compliance with European accreditation.

In the area of metrology, the following bylaws have been prepared to fulfil the legal framework by the Ministry of Economy:

1. Rulebook on the manner and procedure for conducting metrological supervision and metrological requirements that the packed products should meet considering the quantities, manner of labelling and permitted tolerance of the labelled quantity and list of nominal quantities of the packed products;
2. Rulebook on non-automatic weighing instruments;
3. Rulebook on names and symbols, field and manner of application, obligation for use and manner of writing down the measure units;
4. Rulebook on the manner and procedure for conformity assessment of meters, as well as the method, certain methods or combination of methods for conformity assessment of the type of meters, as well as the contents and form of the certificate for conformity assessment of the type.
5. Rulebook determining certain categories of meters for which verification is compulsory and time limits for periodical verification;
6. Rulebook on additional requirements for authorising the legal person, procedure for authorisation, duties of the authorised person and evaluation of the fulfilment of the requirements for authorisation.

The adoption of the amendments to the Law on Control of Products from Precious Metals is ongoing, in the first quarter of 2007 (non-harmonised area).

Regarding the institutional capacity, strengthening of the Metrology Bureau is implemented with 4 new employments in 2006 of highly qualified employees, and in 2007 there is approval for 5 new employments. At present there are 23 fulltime employees in the Metrology Bureau, and in the Budget proposal for 2007-2008 for achieving strategic priorities, finances are foreseen for 8 new employees each year in the laboratories.

Regarding conformity assessment in the Republic of Macedonia, it is foreseen to complete the legal framework for appointing and notification of bodies for conformity assessment, and to provide a functional infrastructure for conformity assessment. The Law on Products Safety represents the legal basis for the regulation of this area. The adoption of this Law shall be followed by the adoption of a Decree on the manner and procedure for appointing the bodies for conformity assessment as well as the manner and procedure for notification of the bodies for conformity assessment in the EC during 2007.

The authorisation of conformity assessment bodies is performed in accordance with the determined authorisation procedure, by the Ministry of Economy, and according to the Law on Products Safety. The Ministry of Economy shall also be in charge of establishing a Register of conformity assessment bodies. In order to realise the foreseen activities, it is planned to conduct intensive trainings for conformity assessment bodies as well as dissemination of information.

The aim of the activities undertaken in this area is to provide conditions for conformity assessment by the Macedonian bodies for conformity assessment the certificates of which will be acknowledged on the European and international markets; establishing bodies for conformity assessment, which will work according to the criteria referred to in the series of standards ISO 17000 and EN 45000 the capacity of which will be confirmed by a certificate for accreditation and by establishing Macedonian Council for Conformity Assessment (foreseen within the BERIS project).

In the area of market surveillance, after the adoption of a new Law on State Market Inspectorate, the adoption of the following bylaws in accordance with this Law is foreseen in the first quarter of 2007:

- Rulebook on the form and contents of the inspectors' identification cards and the manner of issuing and withdrawal of the same;
- Rulebook on the form and contents of the market executive officers' identification cards and the manner of issuing and withdrawal of the same;
- Rulebook on the conditions and manner for buying products during inspection supervision
- Rulebook on the manner and procedure for destruction of products;
- Rulebook on form and contents of the seal for sealing premises
- Rulebook on sampling and checking samples
- Rulebook on the form and contents of minutes.

The inspection service in the RM for market surveillance will implement its competences according to the measures and activities emerging from the Programme of market surveillance, and the inspection services will work out in the area in an organised and coordinated manner. The coordinative body will follow the realisation of the measures and activities of the Programme for market surveillance, according to which the inspection services function. New employments are foreseen (6 according to the new systematisation of ME) in the Sector for Internal Market and the State Technical Inspectorate within the Ministry of Economy, which will be responsible for:

- Monitoring of the existing conditions in the area of standardisation, accreditation, metrology and market surveillance;
- Preparation of legal acts;
- Authorisation of bodies for conformity assessment;
- Reporting to EC;

- Market surveillance of the new approach technical acts;
- Bodies for supervision of the market to have lawful force and working methods.

In the first phase with the GTZ technical support the preparation of the new Law on Technical Inspection will begin and it is planned to be adopted by the Assembly of the RM by the end of 2007, providing clear definition of the competences of the technical inspection which arise from the harmonised area in the EU.

## **MEDIUM-TERM PRIORITIES**

The following has been planned in the area of standardisation:

- Full implementation of the European internal rules and procedures for the work of ISRM;
- Establishment of an efficient system for standardisation in the Republic of Macedonia that will enable monitoring and integration into the standardisation system at European and international level;
- Establishment of an efficient technical infrastructure – technical committees and working groups of ISRM;
- Adoption of minimum 80 % of the European standards and withdrawal of the conflicting national standards;
- Procurement, installation and initiation of full operational service of appropriate IT and telecommunications equipment;
- Establishment of notification procedures for all standardisation projects that are planned at national level and standstill procedures (standstill);
- Establishment and application of an appropriate legal and internal framework of rules on intellectual property regarding the standards and the standardisation documents.
- Comprehensive strengthening of the staff capacity of ISRM;
- Implementation of a quality system in ISRM.

The following has been planned in the area of accreditation:

- Increased number of accredited bodies for conformity assessment (laboratories, certification bodies, inspection bodies) according to the requirements of the European standards for accreditation and the appropriate procedures for accreditation, which would be the basis for signing an Agreement on mutual recognition of the results;
- Increased number of professional evaluators, and signing of bilateral cooperation Agreements;
- Signing of Agreements on mutual recognition of the results.

According to the Medium-term programme on development of the metrological infrastructure for the period 2006 – 2009, the following has been planned:

- Establishment of partner relationship through contracts with the users of the metrological infrastructure as constructors of the dispersion model;
- Making use of the domestic resources, primarily of the scientific-educational institutions for education intended for a specific purpose, and formation of national etalons in areas where the Metrology Bureau has no such possibilities;
- Introduction of appropriate quality systems in the Metrology Bureau (ISO 17025 and ISO 17020 and ISO 9000);
- Proclamation of national standards/patterns of the measuring units (mass, pressure, temperature, density, length, volume, low voltage, resistance);
- International recognition of the national metrological infrastructure by joining the General Conference on Weights and Measures and EUROMET, as well as development and publication of tables of our calibration and measuring capabilities;
- Active participation aimed at ensuring purposeful use of the funds of the MSTQ component of the World Bank's BERIS programme for further equipping and strengthening of the Metrology Bureau.

In the area of conformity assessment, it is planned to establish a Council for conformity assessment, the function of which will be to coordinate the activities performed by the authorised bodies for conformity assessment and by the competent ministries. This Council is planned to host the participation of representatives of the Government of the Republic of Macedonia and of the line ministries that are responsible for giving authorisation to the bodies.

The following has been planned in the area of market surveillance:

- Improvement of the organisational set-up of all the institutions involved in the area of market surveillance;
- The market surveillance authorities should have an appropriate legal force and work methods;
- Establishment of a fully effective and efficient market surveillance;
- Training in implementation of the regulations harmonised with the EU Acquis, improvement of the information technology equipment and improvement of the communication.

## **FOREIGN SUPPORT**

BERIS project financed by the World Bank for the period 2006-2009 - component 2: Strengthening of the systems for metrology, standardisation, testing and quality. There is a special subcomponent that is intended for the Institute for accreditation, the

Institute for standardisation and the Metrology Bureau. The goal is to establish an efficient system of standardisation, accreditation and metrology in the Republic of Macedonia.

Memorandum of Cooperation has been signed with the GTZ for development of bylaws for the purpose of transposition of the New Approach Directives during 2006, and it is planned to sign a new Memorandum in the beginning of 2007 for continuation of the activity in terms of transposition of new *New Approach Directives* and definition of the competencies of the inspection authorities for market surveillance regarding the New Approach Products. This cooperation continues in terms of development of bylaws for the Law on Products Safety.

In 2007, it is planned to carry out project financed from CARDS where the beneficiaries will be the State Market Inspectorate, the State Technical Inspectorate and the Ministry of Economy, for a system of establishment of market surveillance. Duration of the project is planned for 18 months.

### **3.1.2 NEW APPROACH DIRECTIVES**

The coordination of the activities for harmonisation of the national legislation and adoption of the European technical norms and standards continues to function successfully through the work of the Working Group for Free Movement of Goods and of the Working Subgroups under the coordination of this Working Group. With the assistance of the Twinning project with the Republic of Slovenia – Approximation of the legislation in the area of Internal Market – and the GTZ project on transposition of the New Approach Directives, the Ministry of Economy has so far transposed a significant number of the New Approach Directives, and legal acts have been drafted that are already adopted or are planned to be adopted during 2007.

The Law on Products Safety has been adopted (Official Gazette of the RM No.33/06) through harmonisation with the EU Directive 95/2001, thus representing a legal basis for enacting bylaws for transposition of the New Approach Directives:

The following rulebooks have been adopted:

- Machines Safety (Official Gazette of the RM No.64/06)
- Equipment and safety systems intended for use in a potentially explosive atmospheres – ATEKS
- Electromagnetic compatibility (Official Gazette of the RM No.129/2006)
- Electrical equipment intended for use in a certain voltage limits (Official Gazette of the RM No.127/2006)
- The Law on Construction Products (Official Gazette of the RM No.39/06) has been fully harmonised with the EU Construction Products Directive (89/106/EEC), as amended by the CE Marking Directive (93/68/EEC).

The following bylaws were passed in 2006:

- Rulebook on attestation systems, procedure for attestation, marking of construction products and content of the documents for conformity;
- Rulebook on confirmation of the conformity and marking of construction products; and
- Rulebook on essential requirements for construction facilities, that should be respected while determining the properties of the construction products, published in the Official Gazette of the RM No. 74/06.

Based upon the Law on Consumer Protection (Official Gazette of the RM No. 38/2004), Article 39, Rulebook on protection of children toys put into circulation has been adopted (Official Gazette of the RM No. 90/2004), which is harmonised with the Directive 31988L0078 of 3 May 1988 on the approximation of the laws of the Member States concerning the safety of toys. The Ministry of Economy, in cooperation with the Ministry of Health, prepared this Rulebook.

### **SHORT TERM PRIORITIES**

The following rulebooks are planned to be adopted during 2007:

- Fulfilment of the energy efficiency requirements for the new hot-water boilers combustion on liquid or gas fuels;
- Energy efficiency requirements for household electric refrigerators, freezers and combination thereof;
- Placement on the market of lifts and safety devices for lifts;
- Pressure equipment;
- Transportable pressure equipment;
- Placement on the market of personal protection equipment;
- Packed products;
- Non-automatic weighing scales;
- Safe use of lifts for technical examination of lifts;
- Quality of oil derivatives, explained in chapter 15;
- Rulebook on placement on the market of cable railway devices intended for transport of individuals (cable railway).

Within the second phase of the GTZ project –Technical assistance for transposition of the EU technical directives – the following directives will be transposed during 2007:

- on cable installation designed for transport of individuals
- recreational vessels
- appliances burning gaseous fuels
- transport pressure equipment
- simple pressure vessels
- gas appliances

The rulebooks prescribe the method and the dimension of the CE marking.

The following bylaws are planned to be adopted during 2007:

- Rulebook on recreational vessels
- Rulebook on radio and telecommunication terminal equipment
- Rulebook on cut glass

Rulebooks and decisions that are planned for 2007 under the Law on Construction Products include:

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

The main goal of the abovementioned legal regulations on construction products is to comply with the technical requirements for the products that are present on the European market.

### **MEDIUM-TERM PRIORITIES**

The priorities will be full transposition and implementation of the New and Global Approach Directives and introduction of clauses in the national legislation on mutual recognition of the results.

## **3.1.3 OLD APPROACH DIRECTIVES**

### **CHEMICAL PRODUCTS – Chemicals** **CURRENT SITUATION**

This area is regulated by the following legal regulations:

The Law on the Trade in Poisons (Official Gazette of the RM No.13/91), the Law on the Production of Poisons (Official Gazette of the RM No.18/76), the Law on Transport of Dangerous Goods and a large number of bylaws. The Ministry of Health prescribes the conditions for production and trade in dangerous goods. The procedure for issuing licenses for import/export of poisons, as well as for issuing approvals for trading in them is carried out by the Bureau of Medicines, whereas the State Sanitary and Health Inspectorate carries out control and surveillance over the whole process of production and trade in poisons. The classification of the poisons and preparations containing dangerous goods is done by the Pharmaceutical Faculty and the Institute of Pharmacology, upon authorisation of the Ministry of Health. The Faculty of Agriculture carries out the assessment of the efficiency of the means for communal hygiene (means for disinfection, desinsection and deratisation), whereas the Institute of Microbiology carries out the assessment of the microbiological efficiency.

The Republic Institute for Health Protection of the Republic of Macedonia performs laboratory analysis of the means for communal hygiene, as well as of the objects for general use containing poisons. The Ministry of Agriculture, Forestry and Water Economy is responsible for the procedure for issuing approvals for placement on the market of means for plant protection, whereas the Veterinary Institute is responsible for the means that are used for disinfection, desinsection and deratisation with animals.

### **SHORT-TERM PRIORITIES**

New Law on Chemicals is under preparation. The law is planned to regulate the area of production, trade, classification, packaging and labelling of dangerous goods and preparations - the biocides, as well as to regulate the method of notification about the new goods. The Ministry of Health (Bureau of Medicines) will draft the law in cooperation with the Ministry of Environment and Physical Planning, and it is planned to be adopted by 2007.

### **MEDIUM-TERM PRIORITIES**

It is planned to enact bylaws to the Law on Chemicals, whereby the following will be regulated:

- the contents and manner of data delivery to the institution, as well as the manner of keeping registry of accidents caused by poisoning; the methods for assessment of chemicals; the contents of the application form for new chemical, the required documentation and the procedure for its approval; the procedure for registration of biocides; the conditions that need to be fulfilled

by the packaging containing dangerous chemicals, the manner of packaging and labelling dangerous chemicals, the contents and the manner of warning the consumers against the dangerous properties of the chemicals; the data contents about the name and quantities of the chemicals; the confidentiality of the data about special groups of chemicals, as well as about the manner of classified data management; the principles of good laboratory practice.

It is also planned to enact other acts stipulating the conditions for good practice during manufacture, i.e. trade in chemicals, prohibition or limitation of the manufacture, distribution or use of dangerous chemicals etc.

The Law on Chemicals proposal provides for authorizing a competent institution that will assume the role of a National Centre for Information on Chemical Poisoning.

## **CHEMICAL PRODUCTS – Detergents**

### **CURRENT SITUATION**

The Law on Sanitary Safety of Foodstuffs and General Consumption Products (Official Gazette of the SFRY No.53/91) defines as general consumption products “the agents for maintenance of hygiene” as well. The Ministry of Health prescribes the conditions for manufacture and trade in general consumption products, whereas the control and the surveillance are carried out by the State Sanitary and Health Inspectorate. The Republic Institute for Health Protection – Sector for Drugs Control – carries out control of the quality of the detergents.

### **SHORT-TERM PRIORITIES**

The Law on Chemicals will include provisions regulating the placement on the market of detergents, and it will also lay down the basis for adoption of special rulebooks that will further regulate this area.

### **MEDIUM-TERM PRIORITIES**

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

It is planned to strengthen from a staff point of view the existing institutions - the State Sanitary and Health Inspectorate and the Sector for Drugs Control in the Republic Institute for Health Protection, as well as to train the staff in enforcement and supervision of the new regulations.

## **PHARMACEUTICAL and COSMETIC PRODUCTS**

### **CURRENT SITUATION**

The legal framework regulating the manufacture, trade and control of cosmetic products comprises the following regulations:

- The Law on Sanitary Safety of Foodstuffs and General Consumption Products (Official Gazette of the RM No. 29/73 and 37/86)
- The Law on Sanitary Safety of Foodstuffs and General Consumption Products (Official Gazette of the SFRY No. 53/91) and (Official Gazette of the RM No. 15/95)
- Rulebook on the requirements concerning sanitary safety of general use items to be put into circulation (Official Gazette of the RM No. 26/83)

It is important to mention that the provisions in these regulations relating to food, food safety, and toys, ceased to apply upon the enactment of the Law on Food Safety and the Law on Consumer Protection.

The Ministry of Health prescribes the conditions for manufacture and trade in cosmetic products. The State Sanitary and Health Inspectorate carried out supervision and surveillance over the whole process of manufacture and trade in Cosmetic products. The quality control for these products is carried out in the Republic Institute for Health Protection.

### **SHORT-TERM PRIORITIES**

Law on Cosmetic Product Safety proposal has been developed by a Working Group of the Ministry of Health, including representatives of the Republic Institute for Health Protection, and this proposal will be adopted in the first quarter of 2007.

Strengthening of the existing capacities from a staff point of view has been planned for the purposes of implementation of the new legislation on cosmetic products.

It is planned to strengthen the administrative capacity of the State Sanitary and Health Inspectorate (elaborated in *Chapter 28. Consumer protection and public health*), followed by strengthening with 2 additional staff of the Sector for Drugs Control in the RIHP, where quality control is done for cosmetic products as well. For the staff of the State Sanitary and Health Inspectorate it is necessary to conduct training in the areas of hygiene, good manufacturing practice for cosmetic products, implementation of legal procedures and control implications. It is also necessary to procure additional equipment for the needs of the control laboratory: one apparatus for liquid thin layer chromatography, one atomic absorption spectrophotometer and one apparatus for gas chromatography. For the staff in the control laboratory, it is planned to conduct training with regard to the introduction of the new methods for quality control and the handling of the equipment, as well as to provide sub-specialisation in the area of cosmetology.

## **MEDIUM-TERM PRIORITIES**

It is planned to adopt bylaws that will lay down the lists of products that are considered as cosmetic products, the lists of products that must not be used in the cosmetic products, the lists of substances whose use in the cosmetic products is approved, lists of colours, UV filters and preservatives, the principles of Good Manufacturing Practice, the principles of Good Laboratory Practice, the methods for analysis of cosmetic products, as well as the contents and manner of labelling the finished cosmetic products. The adoption of these acts will mean implementation of the EU measures stated in the table part.

It is planned to finalize the process of strengthening of the administrative capacity of the State Sanitary and Health Inspectorate, as well as in the Republic Institute for Health Protection.

It is also planned to conduct continuous staff training in the areas of hygiene, Good Manufacturing Practice for cosmetic products, legal procedures and control implications.

## **MEDICINAL DRUGS, SUPPLEMENTARY TREATMENT SUBSTANCES AND MEDICAL DEVICES**

### **CURRENT SITUATION**

The Law on Medicinal Drugs, Supplementary Treatment Substances and Medical Devices (Official Gazette of the RM No. 21/98) defines the conditions for putting in circulation, manufacture and trade, quality, safety and efficiency examination, as well as the surveillance over the manufacture, trade and control of the quality of medicinal drugs, supplementary treatment substances and medical devices, as activities of public interest. Concerning the procedure for prescribing and dispensing drugs, the "Rulebook on the manner of prescribing and issuing drugs and medical devices on prescription" has been published (Official Gazette of the RM No.17/2002). In 2002, the "Rulebook on the conditions with regard to the space, equipment and staff to be fulfilled by the legal entities involved in wholesale trade in medicinal drugs, supplementary treatment substances and medical devices that are used in the human medicine" has been published (Official Gazette of the RM No. 64/2002). In 2004, the "Guideline on the conducting of the procedure for issuing approval for putting a finished drug in circulation" (Official Gazette of the RM No. 49/04), and "Guideline on the examination y1085 of the biological availability and bioequivalence of drugs" (Official Gazette of the RM No. 68/04), fully harmonised with the EU directives, have been published. For the implementation of the Law, besides the Ministry of Economy, institutionally engaged are also the Ministry of Finance, Ministry of Justice, Ministry of Health, Ministry of Agriculture, Forestry and Water Economy, Ministry of Environment and Physical Planning, Ministry of Transport and Communications, the Ombudsman, the Commission for Protection of Competition, the Broadcasting Council, the Institute of Standardisation, the Institute of Accreditation etc.

### **SHORT-TERM PRIORITIES**

It is planned enactment of a new Law on Medicinal Drugs and Medical Devices with the view to provide for harmonisation with the EU legislation and to enable an appropriate legal framework for the rulebooks that need to be adopted on the basis of the law. In addition, training of the staff in implementation of the legal provisions will follow.

For the implementation of the planned activities and accomplishment of the predefined tasks, the Ministry of Health – Bureau of Medicines plans to employ 3 new staff in 2007.

## **MEDIUM-TERM PRIORITIES**

It is planned enactment of the following bylaws: Rulebook on Internal Guidelines; Rulebook on labelling of outer packaging; Rulebook on clinical trial; Rulebook on conditions for manufacture; Standards for Good Manufacturing Practice, Good Clinical Practice and Good Laboratory Practice; Rulebook on pharmacies; Rulebook on implementation of the procedure for putting in circulation of medicinal drug, with renewal and variations; Rulebook on price forming; bylaws related to medical devices.

There is a need for continuous training of the staff in the new procedures associated with the implementation of the rulebooks, as well as for budgeting and providing funds for this purpose.

## **MEDICAL PRODUCTS FOR USE IN VETERINARY MEDICINE**

### **CURRENT SITUATION**

Currently valid legal regulations in the area of medical products for use in veterinary medicine are: the Law on Medicinal Drugs, Supplementary Treatment Substances and Medical Devices (Official Gazette of the RM No. 21/98) and the Law on Veterinary Health (Official Gazette of the RM No. 28/98). Competent authority for implementation of the abovementioned legal regulations is the Veterinary Administration under the Ministry of Agriculture, Forestry and Water Economy.

### **SHORT-TERM PRIORITIES**

It is planned enactment of a new Law on Veterinary Medicine Preparations and of a certain number of bylaws with the purpose of harmonisation with the EU legislation. With the assistance of the project "Structural and legal reforms of MAFWE" – veterinary component – the plan is to finalize the working version of the Law on Veterinary Medicine Preparations during 2007. Data about the short-term priorities with regard to the institutional upgrading of the Veterinary Administration are provided in the chapter on food safety and veterinary and phytosanitary policy.

## **MEDIUM-TERM PRIORITIES**

It is planned enactment of the Law on Veterinary Medicine Preparations and of bylaws arising from the law: conditions and procedures for obtaining approval for putting veterinary medicine preparations in circulation; Manual on Good Manufacturing Practice; Additional conditions for obtaining approval for putting veterinary medicine preparations containing or made of GMO in circulation; Rulebook on monitoring adverse effects from the use of veterinary medicine preparations; Rulebook on conditions and provisions about wholesale and retail sale of veterinary medicine preparations.

Medium-term priorities with regard to employments are given in the Chapter on Food Safety and Veterinary and Phytosanitary Policy. There is a need for continuous training of the veterinary inspectors in a system of control of manufacture, trade and use of veterinary medicine preparations, in addition to training in the new procedures associated with the implementation of the rulebooks. Budgeting and providing funds for this purpose are also needed.

## **MOTOR VEHICLES**

Competent institution for the area of motor vehicles is the Ministry of Transport and Communications. Participating institutions include the Ministry of Economy, the Ministry of Agriculture, Forestry and Water Economy, the Ministry of Environment and Physical Planning and the Ministry of Interior. Assignment of the responsibility to transpose the EU measures between the Ministry of Economy and the Ministry of Transport and Communications is underway.

The Ministry of Interior, taking care of the safety in the road traffic in conformity with the Law on Road Traffic Safety, deals with the motor vehicles, i.e. the checking, registration and technical examination thereof. The Ministry of Transport and Communications implements the Law on Transportation in the Road Traffic while taking care of the transport of people and goods in general. The Ministry of Economy carries out the activities arising from the Law on Traffic Safety, included in rulebooks, with regard to the area of homologation and weights and dimensions of the axis loading of the motor vehicles. The Ministry of Agriculture, Forestry and Water Economy has jurisdiction over the agricultural vehicles that are used in the agriculture.

## **SHORT-TERM PRIORITIES**

Working groups have been formed and with provided, technical support through GTZ the transposition of the EU measures i.e. directives in the area of motor vehicles will be realised during 2007.

## **MEDIUM-TERM PRIORITIES**

Finalizing the legal framework in the area of motor vehicles.

## **TEXTILE and FOOTWEAR**

### **CURRENT SITUATION**

In 2006, the following bylaws were adopted on the basis of the Law on Products Safety:

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

Responsible for this area is the Ministry of Economy – Sector of Industry.

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

## **GLASS and WOOD**

The following legal regulations will represent the legal basis for the adoption of the bylaws in the area of glass and wood in the Republic of Macedonia:

- Law on Construction Products;
- Law on Products Safety.

## **INSTITUTIONAL FRAMEWORK**

The Ministry of Economy is responsible for the enactment of the legal regulations in the area of glass and wood.

## **SHORT-TERM PRIORITIES**

In 2007, it is planned to draft a Rulebook on wood and flat glass in conformity with the Law on Construction Products, whereas Rulebook on cut glass is planned to be developed under the Law on Products Safety.

## **LEGISLATION**

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



## **INSTITUTIONS**

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

### **3.1.4 NON-HARMONISED AREA (Article 28, 30)**

#### **PRINCIPLE OF MUTUAL RECOGNITION**

##### **SHORT-TERM PRIORITIES**

The Law on Products Safety regulates the matters regarding the principles of mutual recognition. The Law generally determines that in the Republic of Macedonia valid are those documents and signs of conformity of foreign origin that have been issued in accordance with international agreements concluded and ratified, i.e. acceded to by the Republic of Macedonia. By exception from this rule, the Minister responsible for adoption of technical regulations may recognise the validity of the documents and signs of conformity of foreign origin under conditions defined by this law. This principle of mutual recognition will apply until the moment of accession of the Republic of Macedonia into a full EU membership.

With view to overcome the issue regarding the technical barriers to trade, all technical regulations (both harmonised and non-harmonised) that will be adopted in the Republic of Macedonia following the accession to the European Union will need to be prenotified to the European Commission according to a notification procedure, which will be regulated by a special regulation for the adoption of which responsibility will be competent the Government of the Republic of Macedonia, pursuant to Article 32 of the Law on Products Safety. In fact, the issue of technical barriers to trade began to be eliminated with the establishment of a harmonised system in the area of harmonisation of the technical regulations in 2006 and 2007 with the European regulations. The harmonised system will enable equal treatment of domestic and imported products on the market in the Republic of Macedonia by way of following the harmonised procedure for their putting on the market.

The importance of the documents and signs of conformity of foreign origin is indispensable because the Republic of Macedonia does not have at its disposal all the necessary bodies for conformity assessment. Provided that certain certificates issued abroad are complied with, it will be possible to immediately apply the technical legislation harmonised with the respective legislation valid in the EU member-states. Possibility thus opens for gradual inclusion on the common market of those economic branches in which we will have harmonised technical legislation.

It is planned in the Republic of Macedonia to introduce clauses on mutual recognition in the legislation with the purpose of harmonisation with Articles 28, 30 of the EC Treaty. Namely, it is planned to carry out screening of the national legislation with regard to its compatibility with these Articles of the EC Treaty and to put together a list of conflicting regulations. This will then be followed by the development of a Programme for their withdrawal of application.

#### **PROCEDURAL MEASURES**

##### **1. NOTIFICATION PROCEDURES**

##### **SHORT-TERM PRIORITIES**

Directive 98/34/EEC, amended by the Directive 98/48/EEC, laid down the procedures for delivering information on standards, regulations and rules about services in the information society. In order to implement the abovementioned directives, Decree on notification procedure will be developed in line with the EU rules based upon the Law on Products Safety. The Decree is planned to be adopted in the fourth quarter of 2007, and its application will start as of the day of accession of the RM into the EU.

##### **MEDIUM-TERM PRIORITIES**

These issues will be under the responsibility of the Sector of Internal Market under the Ministry of Economy. It is planned to introduce a special unit in 2007 with the main task to serve as a contact point for the Notification Directive 31998L0034 in the non-harmonised area. Moreover, 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, it is planned to provide at least one employee that will work on the non-harmonised area. To this end, training will be provided for persons employed 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.

##### **2. CHECKS AT EXTERNAL FRONTIERS**

##### **MEDIUM-TERM PRIORITIES**

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

In order to be able to establish such new system of control, the competencies of the inspection authorities will be revised. These authorities should completely reorganise their way of work, develop capacity for carrying out controls in the interior instead of the Customs terminals, be able to do risk analysis and in relation to this to establish appropriate mechanisms for data exchange with the Customs authorities, and create databases that will be available to the Customs authorities.

The Customs authorities will develop mechanisms for using the data obtained from the competent authorities while building their own system of risk analysis, as well as efficient mechanisms for communication with the other inspection authorities in cases when they decide to suspend the release of products which would give rise to a serious doubt as to the existence of a serious and immediate risk to health and safety in the event of those products being used under normal and foreseeable conditions, and/or that a product or batch of products is not accompanied by a document or not marked in accordance with the rules on product safety.

## **WEAPONS**

### **CURRENT SITUATION**

The Ministry of Interior, as the competent institution for carrying out control of the conditions with regard to the manufacture, trade, procurement, possession and carrying of weapons, parts of weapons and ammunition, drafted the Law on Weapons that was adopted by the Assembly of the Republic of Macedonia on 25 January 2005.

While drafting the Law on Weapons, the Council Directive on control of the acquisition and possession of weapons 31991L0477 was taken into account and implemented. In addition, while drafting the text of this law, account was taken of the European Convention of the Council of Europe on the control of the acquisition and possession of firearms by individuals, and the Recommendation R(84)23 of the Council of Europe, as well as comparative consultation of the laws regulating the issue of weapons of several countries, including England, Italy, Germany, Switzerland, Czech Republic, Slovenia, Croatia and other countries.

### **STRATEGIC DOCUMENTS**

National strategy for control of small arms and light weapons (SALW) and Action Plan.

### **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 other entities as well, such as:

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

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

### **SHORT-TERM PRIORITIES**

It is planned to adopt a Law amending the Law on Weapons, as well as a Rulebook on the types of weapons according to the legal categorisation of weapons, in the first quarter of 2007.

The following rulebooks are planned to be adopted:

- Rulebook on minimum technical and safety requirements that the facilities of the civil shooting grounds should meet;
- Rulebook on the manner for taking out weapons and ammunition across the state border;
- Rulebook on handing over, accepting, and keeping of the handed over weapons;
- Rulebook on minimum technical and safety requirements that should be met by the facilities in which production and repair will be carried out, trade and storage of weapons and ammunition;
- Rulebook on types of weapons that can be supplied on the grand of permit and the importance of the separate types of weapons from A and C category accordingly to the lawfully categorisation;
- Rulebook for the pattern of the approval for import of weapon and European document for weapon (deriving from Chapter X of the Law, which be applied after entrance of the RM in the EU).

### **MEDIUM-TERM PRIORITIES**

Adoption of a Law on Branding and Marking of Weapons and drafting of a Rulebook on the form of the approval on weapons entering and European weapon document.

## FREE MOVEMENT OF CULTURAL GOODS

### CURRENT SITUATION

#### LEGAL FRAMEWORK

The issue of return of cultural goods that have unlawfully been removed from the territory of one country and that are currently within the territory of the Republic of Macedonia, is regulated in a uniform manner for all countries including the EU member-states, by the Law on Protection of the Cultural Heritage ("Official Gazette of the RM" No. 20/04). The Law has been in force since 9 April 2004, whilst applied since 1 January 2005. The key provisions of the Directive 93/7/EEC on the return of cultural objects unlawfully removed from the territory of a Member State of 15 March 1993 are incorporated in this Law in an appropriate manner.

The Macedonian law enables return not only of the cultural goods covered by the Directive 93/7/EEC, but it also encompasses a significantly wider circle of protected goods, which is in line with the Directive's provision that it is possible to accept wider obligations for restitution of unlawfully removed cultural goods.

The issues of import, export and removal of cultural goods are also regulated by the Law on the Protection of Cultural Heritage. According to the Decision on classification of goods into forms of import and export, the export of artistic objects, collections and antiques is under the regime "D" (based upon a license, i.e. approval). The control of the import, export and removal of cultural goods is under the jurisdiction of the Customs Administration of the Republic of Macedonia, whereas the approvals for export and removal of cultural goods are issued by the Administration for Protection of the Cultural Heritage. Regulation (EEC) No. 3911/92 on the export of cultural goods is implemented in this part of the Law.

#### INSTITUTIONS

According to the existing systematisation of the working posts in the Ministry of Culture, Sector for Protection of the Cultural Heritage, with a total of 7 employees is functioning; and Directorate for Protection of Cultural Heritage with a total of 7 employees a body within the Ministry of Culture with the capacity of a legal person. Total of 33 persons are employed in the Directorate.

The situation concerning the unlawful import/export and removal of cultural heritage abroad is followed by the Sector for prevention and inspection supervision, i.e. by the Unit for prevention of cultural heritage, and preventive measures for reducing the possibilities for occurrence of a risk of such actions are undertaken. In this context, one cooperates with the competent authorities in the Ministry of Interior and Ministry of Foreign Affairs, as well as with specialised institutions both in the country and abroad.

#### SHORT-TERM PRIORITIES

##### LEGISLATION

The draft Law amending the Law on the Protection of the Cultural Heritage will be adopted Directive 96/100/EC of the European Parliament and of the Council of 17 February 1997 amending the Annex to the Directive 93/7/EEC on the return of cultural objects unlawfully removed from the territory of a Member State (31996L100), and Directive 2001/38/EC of the European Parliament and of the Council of 5 June 2001 amending the Directive 93/7/EEC on the return of cultural objects unlawfully removed from the territory of a Member State (32001L0038), will be implemented in the part of the Law relating to the control of the export i.e. removal of cultural goods. The Law will provide a basis for adoption of a bylaw that will further regulate the issues concerning the procedure and the method of export and removal of the cultural goods, and prescribe the forms for export i.e. removal of the protected goods abroad. The Law will at the same time provide a basis for adoption of a bylaw to further regulate certain issues regarding the restitution of the cultural goods.

#### MEDIUM-TERM PRIORITIES

In 2008, Rulebook on the procedure and manner for carrying out export and taking out (across the border) cultural goods and the export form i.e. taking out (across the border) cultural goods and the Rulebook on the restitution of cultural goods will be adopted.

#### INSTITUTION BUILDING REQUIREMENTS

BUDGETARY BENEFICIARY/ INSTITUTION	INSTITUTION/ SECTOR	Current status 31.12.2006	2007	2008	2009	2010	Total
10001: Ministry of Economy	IARM: Institute for Accreditation	4	2	2	2	1	7
	ISRM: Institute for Standardisation	14	2	2	2	3	9
	MB: Metrology Bureau	23	4	4	4	3	15
	NEW: Sector for European Integration	7	2	2	1	0	5
	SIM: Sector for Internal Market	5	1	1	1	1	4
	SMI: State Market Inspectorate	239	1	1	1	2	5
	STI: State Technical Inspectorate	0	1	2	0	0	3
	TCA: Training Centre for Accreditation	0	0	0	0	0	0
10001: Ministry of Economy Total		292	13	14	11	10	48
18001: Ministry of Culture	MC: Cultural Heritage Protection	33	1	0	0	0	1

	Office/Sector for Prevention and Inspection Supervision/ Unit for Prevention of Cultural Heritage						
18001: Ministry of Culture Total		33	1	0	0	0	1
19001: Ministry of Health	BM: Bureau for Medicines	11	1	1	3	2	7
	NEW: Centre for Information on Chemical Poisoning	0	0	2	1	2	5
19001: Ministry of Health Total		11	1	3	4	4	12
<b>TOTAL</b>		<b>336</b>	<b>15</b>	<b>17</b>	<b>15</b>	<b>14</b>	<b>61</b>

## **3.2 FREEDOM OF MOVEMENT FOR WORKERS**

### **3.2.1 ACCESS TO THE LABOUR MARKET**

#### **CURRENT SITUATION**

##### **LEGAL FRAMEWORK**

The legal framework of free access to the labour market in the Republic of Macedonia is regulated by the following legal regulations:

- Law on Foreigners (Official Gazette of RM No 35/2006);
- The Law on Conditions for Establishing Labour Relations with Foreigners (Official Gazette of SFRY No 11/78 and 64/89) and (Official Gazette of RM No 12/93);
- The Law on Asylum and Temporary Protection (Official Gazette of RM No 49/03);
- The Law on Civil Servants (Official Gazette of RM No 59/2000, 112/2000, 34/2001, 43/2002, 98/2002, 17/2003, 40/2003, 85/2003, 17/2004, 69/2004 and 81/2005);
- The Law on Labour Relations (Official Gazette of RM No 62/2005).

Foreigners and apatrides can be employed by employers that is registered in the Republic of Macedonia, on the basis of a permit for commencement of employment, which is granted upon a submitted request for issuance of a permit of employment, as long as the general criteria determined by law, the collective agreement and the general act have been fulfilled.

#### **INSTITUTIONS**

Responsible authorities for creation of the policies and the legal framework in this field are Ministry for Labor and Social Policy, Ministry for internal affairs, Ministry for Justice and Ministry for Foreign Affairs. The Law on Conditions for Establishing Labour Relations with Foreigners as well as the Law on Asylum and Temporary Protection in the field of employment of persons with recognised refugee status and persons under humanitarian protection is implemented by the Employment Agency of the Republic of Macedonia.

#### **SHORT-TERM PRIORITIES**

##### **LEGISLATION**

The new Law on Employment and Work of Foreigners is being drafted, and will be compliant with Article 39 referred to in the Treaty establishing the European Community, in particular with the Regulation of the European Union (Regulation (EEC) No 31968R1612 of 15 October 1968 and the Directive 32004L038 regarding freedom of movement for workers and the Directive 96/71/EC for posted workers. The Law on Employment and Work of Foreigners shall comply with the new Law on Foreigners (Official Gazette of RM No 35/2006), which shall apply from March 2007 with which conditions for entrance and stay of the foreign citizens in the Republic of Macedonia are regulated. The Law on Employment and Work of Foreigners establishes the conditions and the manner under which foreigners can be employed and work in the Republic of Macedonia.

The Law on Employment and Work of Foreigners will enable free entrance of the citizens of the EU countries on the labour market in the Republic of Macedonia, if with International Agreement reciprocity is enabled in the sense of the free entrance of the labour market, employment and free access on services of the posted workers, but in the connection with other forms of the work.

With regard to the employment of medical workers – foreigners, the Law on Employment and Work of Foreigners shall comply with the Law on Health Protection in the part referring to work licenses of medical workers.

It shall be approached to adequate amendment of the Law on Asylum and Temporary Protection in the direction of approximation with the Directive 32003L086 of September 2003 on the right to family reunification, and it will have delayed application as of 2008. The Directive 32003L009 shall be implemented within the new Law on Social Security and the Law on Employment and Work of Foreigners.

#### **MEDIUM-TERM PRIORITIES**

##### **LEGISLATION**

The medium-term objective is to encompass the process of harmonisation of the Macedonian legislation, in particular with the provisions referred to in Article 39 of Treaty establishing the European Community, with regard to:

- The right of EU citizens to look for job and accept job without any restrictions and without being subject to the arrangements for provision of work permit.
- The right of EU citizens who took advantage of their right to accept job, to live in the Republic of Macedonia. EU citizens not to be subject to the condition of provision of residence permit any longer in accordance with the Directive 2004/38 concerning the residence permit.
- The right of family members, accompanying EU migrant workers, to reside in the Member State concerned, and the right of family members to accept employment or undertake self-employment.

- The right of Community workers' children to be enrolled in educational institutions under same conditions as the citizens of the Member State concerned.

Intensive preparation has been envisaged for participation in the EURES System, intended for promotion of free movement of workers through exchange of information for employment possibilities. The Republic of Macedonia shall undertake necessary measures (legislative, organisational and technical measures) to gradually establish administrative and technical capacity in the Employment agency of the Republic of Macedonia and in the employment centres for the purpose of its participation in the EURES System. Accordingly, a study shall be carried out for evaluation of the requested institutional, administrative and technical capacity for participation in the EURES System. It is envisaged to establish data bases in the Republic of Macedonia containing general information on the labour market and the employment conditions. Special attention shall be dedicated to the criteria for selection and employment of the further EURES advisers. Future EURES advisers shall be trained for certain issues related to *acquis* and the new data bases. Preparation activities shall be carried out in coordination with the European Commission.

### 3.2.2 COORDINATION OF THE SOCIAL SECURITY SYSTEM

#### CURRENT SITUATION

##### LEGAL FRAMEWORK

Constitutional basis for providing social security to the citizens of the Republic of Macedonia is laid down in Article 34 referred to in the Constitution of the Republic of Macedonia, according to which the citizens of the Republic of Macedonia are entitled to social security and social insurance laid down by law and collective agreement.

The legal framework for Coordination of the Social Security System in the Republic of Macedonia is regulated by the following legal regulations:

- The Law on Pension and Disability Insurance (Official Gazette of RM No 80/93, 3/94, 14/95, 32/97, 24/00, 96/00, 50/01, 85/03, 50/04, 4/05, 84/05, 101/05 and 70/06);
- The Law on Compulsory Capital Funded Pension Insurance (Official Gazette of RM No 29/02, 85/03, 40/04 and 113/05) and the bylaws defining this field.
- The Law on Employment and Insurance in Case of Unemployment (Official Gazette of RM No 37/97, 25/2000, 101/2000, 50/2001, 25/2003, 37/2004, 4/2005 and 50/06) and the following bylaws: The Rulebook on training, retraining or additional training for unemployed and other persons (Official Gazette of RM No 30/2003, 24/2005).
- The Law on Healthcare Insurance (Official Gazette of RM No 25/2000, 34/2000; 96/2000; 50/2001; 11/2002; 31/2003; 84/2005; 37/2006).
- The Law on Children Protection (Official Gazette of RM No 98/00, 17/03, 65/04 and 113/05).

The Republic of Macedonia has also concluded international bilateral agreements for social insurance regulating the following areas: Pension and disability insurance, healthcare insurance, insurance in case of unemployment and child benefit.

The national legislation and the concluded international bilateral agreements have been aligned with the ratified agreements, in particular: The European Social Charter<sup>7</sup> and the Convention No 102 concerning minimum standards of social security.

All international agreements concluded by the Republic of Macedonia are in line with the Regulation (EEC) No 31408R071 of 14 June 1971 on the application of social security scheme to employed persons and their families moving within the Community.

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

The concluded international bilateral agreements apply to all persons regardless their citizenship as well as to persons whose rights arise thereof.

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

- Republic of Croatia, which entered into force on 01.11.1997 (Official Gazette of RM No 34/94);
- Republic of Austria, which entered into force on 01.04.1998 (Official Gazette of RM No 28/97);
- Turkey, which entered into force on 01.07.2000 (Official Gazette of RM No 7/99);
- Republic of Slovenia, which entered into force on 01.04.2001 (Official Gazette of RM No 13/99);
- The Swiss Confederation, which entered into force on 01.01.2002 (Official Gazette of RM No 44/00);
- SR Yugoslavia, which entered into force on 01.04/2002 (Official Gazette of RM No 13/02);
- Republic of Bulgaria, which entered into force on 01.08.2003 (Official Gazette of RM No 31/03), whose application in the part of healthcare insurance has been delayed as for four years;
- The Federal Republic of Germany, which entered into force on 01.01.2005 (Official Gazette of RM No 70/03);

<sup>7</sup> The following Articles have been ratified: 1, 2, 5, 6, 7, 8, 11, 12, 15, 17 and 19.

- The Czech Republic, which entered into force on 01.01.2007 (Official Gazette of RM No 20/06); and
- The Bosnia and Herzegovina, which entered into force on 01.04.2006 (Official Gazette of RM No 82/05);

The concluded international bilateral agreements are in compliance with the following principles:

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

## **INSTITUTIONAL FRAMEWORK**

Competent institutions for the rights in the field of pension and disability insurance are as follows: The Ministry of Labour and Social policy, the Pension and Disability Insurance Fund of the Republic of Macedonia and the Agency for Supervision of Fully Funded Pension Insurance. Competent institutions for the rights in the field of healthcare insurance are as follows: The Ministry of Health and the Healthcare Fund of the Republic of Macedonia.

Competent institutions for the rights in the field of insurance in case of unemployment are as follows: The Ministry of Labour and Social Policy and the Employment Agency of the Republic of Macedonia. Competent institutions for the rights to children care (child benefit, special allowance and benefit for infant equipping) are the Ministry of Labour and Social Policy and Social Work Centres. Institutions competent for application of the ratified international bilateral agreements for social security are the Pension and Disability Insurance Fund of the Republic of Macedonia, Healthcare Fund of the Republic of Macedonia, the Employment Agency of the Republic of Macedonia, which have the role of contact points.

The Decision of the Government of the Republic of Macedonia on the establishment of the commission for Bilateral Cooperation in the field of social security (Official Gazette of RM No 4/2004) resulted in the establishment of the Commission for Bilateral Cooperation in the field of social security, aimed at administering the activities relating to bilateral agreements for social security, which would provide coordinated approach of the state bodies competent for regulating the issues governed by these international agreements.

## **SHORT-TERM PRIORITIES**

Activities shall be undertaken with regard to entering into force of international bilateral agreements for social security, which are in the signing or ratification procedure with the following countries: Czech Republic, Romania, Denmark, the Netherlands, Belgium, Hungary, Luxemburg and Poland. Furthermore, approximation of EU legislation with the Law on Children Protection has been envisaged.

In the field of health protection, medical expenses are envisaged to be compensated for each required treatment of the citizens who got sick or suffered from accident during his/her temporary stay in another Member State, that is, as tourists.

In that direction, it is envisaged the adoption of bylaws in the Republic of Macedonia for the purpose of establishing legal and technical framework for introduction of national healthcare insurance card (on the appearance, form, content and manner of use) which would replace the medical booklet.

## **INSTITUTIONS**

Building the administrative capacity has been envisaged for full application of the Regulations 31971R1408 and 31972R0574 in the field 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 the Republic of Macedonia, the Health Insurance Fund of the Republic of Macedonia and the Employment Agency of the Republic of Macedonia. In this regard, twining project shall be initiated for coordination of the social security systems, which, among other things, shall evaluate the required administrative and technical capacity in the institutions competent for implementation of the Community regulations for coordination of the social security systems as well as training for the employed.

## **MEDIUM-TERM PRIORITIES**

Activities have been envisaged for opening and leading negotiations for concluding international bilateral agreements on social security with countries Macedonia has not concluded agreement, in particular, Northern Ireland, Italy, Norway, England, Sweden and France as well as with the former USSR countries.

## **LEGISLATION**

The priority in the field of pension insurance is continuation of the reforms, in particular, encompassing the legal framework by adoption of the Law on the Voluntary Fully Funded Pension Insurance and the Law on Payment of Pensions, which shall be complied with the EU legislation. Namely, according to Article 149 referred to in the Law on Pension and Disability Insurance, a pension beneficiary – foreign citizen, who shall move for permanent residence in a country of his/her citizenship, his/her pension

shall be paid out abroad if there is international agreement concluded on payment of pensions abroad or if reciprocity exists with the country concerned.

For the purpose of harmonisation with the Regulations (EEC) No 31971R1408 of 14 June 1971 and 31972R0574, the Law on Pension and Disability Insurance shall be amended and consolidated with regard to: redefining disability by giving priority to the professional rehabilitation as a preventive measure, and the right to reassignment to another job post and part-time work are to be transferred to the competence of the employer. Moreover, controlled review of the disability pension beneficiaries shall be harmonised according to the examples from the legislations of the modern European countries, from the aspect of medical indications and longer length of service for workers working on hazardous job posts.

For the purpose of harmonisation with the Council Directive 31998L049 of 29 June 1998, conditions will be created for introducing supplementary pension, i.e. enabling a person to have continuous insurance. To encompass the legal and institutional framework for voluntary fully funded pension insurance, Steering Committee has been set up within the Ministry of Labour and Social Policy. The Law is expected to be adopted by the end of the first half of 2008.

Full implementation has been envisaged of bylaws on determination of legal and technical framework concerning introduction of national health insurance card as well as practical revitalisation of voluntary supplemental healthcare insurance in accordance with the Law on Health Insurance and the Law on Insurance, for the purpose of covering the expenses for medical services which are not covered by mandatory healthcare insurance.

## INSTITUTIONS

The administrative and technical capacity in the institutions competent for implementation of the Community rules for coordination of social security systems shall continue to develop in accordance with the intensity determined by the twinning project.

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

## INSTITUTION BUILDING REQUIREMENTS

BUDGETARY BENEFICIARY/ INSTITUTION	INSTITUTION/ SECTOR	Current status 31.12.2006	2007	2008	2009	2010	Total
15001: Ministry of Labour and Social Policy	ASCFPI: Agency for Supervision of Capital Funded Pension Insurance	8	2	2	2	4	10
	MLSP: Sector for Child Protection	0	1	1	0	0	2
	MLSP: Sector for Labour	3	1	0	0	0	1
	MLSP: Sector for Pension and Disability Insurance	5	2	1	1	1	5
	MLSP: State Labour Inspectorate	0	2	1	0	0	3
15001: Ministry of Labour and Social Policy Total		16	8	5	3	5	21
EARM: Employment Agency of the Republic of Macedonia	EARM: Employment Agency /Contact point for EURES	532	0	0	1	1	2
EARM: Employment Agency of the Republic of Macedonia Total		532	0	0	1	1	2
PDIFRM: Sector for Pension and Disability Insurance	PDIFRM: Pension and Disability Insurance Fund/ Sector for Pension and Disability Rights	60	0	1	1	2	4
	PDIFRM: Pension and Disability Insurance Fund/ Sector for IT	30	2	2	2	1	7
PDIFRM: Pension and Disability Insurance Sector Total		90	2	3	3	3	11
HIF: Health Insurance Fund of Macedonia	HIF: Health Insurance Fund	640	0	0	1	1	2
HIF: Health Insurance Fund of Macedonia Total		640	0	0	1	1	2
<b>TOTAL</b>		<b>1278</b>	<b>10</b>	<b>8</b>	<b>8</b>	<b>10</b>	<b>36</b>



## **3.3 RIGHT OF ESTABLISHMENT AND FREEDOM TO PROVIDE SERVICES**

### **3.3.1 RIGHT OF ESTABLISHMENT**

#### **CURRENT SITUATION**

In the Republic of Macedonia the establishment of companies, branches or subsidiaries is regulated by the Company Law (Official Gazette of the Republic of Macedonia No. 28/04 and 84/05). A company can be established under equal conditions by both domestic and foreign entities. A foreign entity can acquire shares or stocks in an already established company. The participation of a foreign entity in a start-up or an established company is not limited, apart in exceptional cases when it is not otherwise regulated by a law. A company established by a foreign entity or with foreign participation is equal in all rights and obligations, as well as companies without foreign participation.

In the Company Law the Republic of Macedonia has accepted the most modern normative solution according to which a foreign company and a foreign sole proprietor can perform services classified as commercial activity on the territory of the Republic of Macedonia without having to establish a company, i.e. to acquire the status of a sole proprietor. The foreign company or the sole proprietor can provide services performed as trade activity through establishing a branch office or a representative office as their organisational unit. The branch office of the foreign company doesn't have the characteristic of a legal entity and in the Republic of Macedonia it acts on behalf of the foreign company that established it. The subsidiary can undertake obligations and fulfil the access before the courts and other organs of the Republic of Macedonia. With this legal possibility the foreign companies and foreign sole proprietors are equal with the domestic natural and legal entities regarding the provision of services. Exceptions are only particular types of services for which by international agreements or laws it is determined that they can only be performed solely if a company is established. When establishing a branch office, no special or new requirements apply i.e. the conditions that the foreign trading company has fulfilled in the country of registration (establishment) are taken into consideration.

#### **SHORT-TERM PRIORITIES**

The Government of the Republic of Macedonia in the first half of the 2007 started the Regulatory Guillotine, aiming to eliminate all unjustified legal acts and bylaws, including the registration process for which the one-stop-shop system was introduced not exceeding the period of 3 days.

#### **MEDIUM-TERM PRIORITIES**

Activities for identification of other legal barriers regarding the right of establishment for the natural and legal entities from the EU and adaptation of the regulatory framework in a manner for removing thereof are stipulated to a medium-term.

### **3.3.2 FREEDOM TO PROVIDE SERVICES**

#### **CURRENT SITUATION**

In the Republic of Macedonia different types of services fall within the scope of different institutions.

#### **SHORT-TERM PRIORITIES**

With aim to identify the possible barriers for freedom to provide services and to overcome systematically these barriers, a horizontal governmental body was created for inter-ministerial cooperation consisted of the representatives from the following institutions: Ministry of Justice, Ministry of Finance, Ministry of Economy, Ministry of Education and Science, Ministry of Labour and Social Policy, Ministry of Transport and Communications, Ministry of Agriculture, Forestry and Water Economy, Ministry of Culture, Ministry of Education and Science, Ministry of Health, National Bank of the Republic of Macedonia, Committee for Information Technology, Macedonian Securities and Exchange Commission, Legislative Secretariat, Youth and Sports Agency and Institute for Accreditation. According to the Government conclusion from 23.01.2007 the Ministry of Economy was assigned as a coordinator for this work group. In this process, representatives from the chambers of commerce, professional associations and other associations are included. Members of this body, during this year, will analyze the Directive on Services in the Internal Market from 12.12.2006, which, together with the undertaken obligations in the SAA, represent a basis for identification and removing the legal and administrative barriers for freedom to provide services.

#### **MEDIUM-TERM PRIORITIES**

The activities of the government body for medium-term inter-ministerial cooperation will be oriented towards identification of the possible barriers for freedom to provide services, licensing system assessment and its practical use with aim to provide coordination with the EU legislation, in particular with the Directive on Services in the Internal Market.

As a mid-term priority activities shall be undertaken regarding the abolition of certain type of limitations that are due to be abolished as from the moment of accession: the obligation for establishment, the obligation to have a procurator and obligation to keep trade books in Republic of Macedonia, the obligation to be registered and the obligation to act according to all the laws in

the Republic of Macedonia, in accordance with the judicial practice of the European Court of Justice regarding the application of Art. 49 of the European Community Treaty.

## **COMMERCIAL AGENCY**

### **CURRENT SITUATION**

#### **LEGAL FRAMEWORK**

Law on obligations (Official Gazette of the Republic of Macedonia No. 18/01) regulates the principles of obligations, the contractual and other obligations in the legal transactions regarding goods and services. Participants in the obligations can be both natural and legal persons. Participants in the legal transactions freely determine the obligations in accordance with the Constitution, laws and best practice, regardless whether it is foreign or domestic legal and natural entities. The participants in the obligations are equal. In case of establishing the obligations, and exercising rights and obligations from them, the participants are obliged to observe the principles of due diligence and honesty.

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

#### **Commercial Agency**

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

## **3.3.3 POSTAL SERVICES**

### **CURRENT SITUATION**

#### **LEGAL FRAMEWORK**

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

The Law on Postal Services prescribes performing postal services in the domestic and international postal traffic, regulates the relations between the users and providers of postal services, the issuance of postal stamps and postal valuables, as well as other issues related to the provision of postal services. The Law on Postal Services has been drafted on the basis of certain decisions of Directive 97/67/EC of the European Parliament and of the Council of 15 December 1997. The Directive 2002/39/EC of the European Parliament and of the Council of 10 June 2002 on amending Directive 97/67/EU relating to further launching of postal services of the Community towards the competition is not implemented in the Law, since the Law has been drafted and adopted in 2002, before new Directive has been adopted.

In accordance with the existing Law, it is envisaged that the universal postal service including the reserved postal service up to 350 grams shall be performed by the Public enterprise for postal traffic "Makedonska Posta" aiming to offer identical services under equal conditions available to all users on the territory of the Republic of Macedonia, without any political, religious or ideological discrimination, guaranteeing discretion and security of the postal parcels.

The universal postal service includes reception, sorting, transport and delivery of the postal parcels up to 2 kg and packages up to 31.5 kg. The universal postal service, on behalf of the public enterprise by contract, can be performed by other domestic and foreign legal and natural entities.

The Law regulates performance of the courier services, which are provided by domestic and foreign legal and natural entities operating as postal operators, on the basis of the gained license by the Minister of Transport and Communications.

### **STRATEGIC DOCUMENTS**

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

### **INSTITUTIONAL FRAMEWORK**

The Ministry of Transport and Communications and the Public enterprise for postal traffic "Makedonska Posta" which with the Decision of the Government in December 2006 is transformed into Joint Stock Company in state ownership, are competent for the matters regarding the postal traffic.

**The Ministry of Transport and Communications** is the authorised state body for creating the postal traffic policy i.e. for the implementation of the policy of the Republic of Macedonia in the area of internal and international postal traffic. In accordance with the Law on Postal Services, the Ministry of Transport and Communications simultaneously performs the function of a regulatory body in the area of postal traffic. Within the framework of the Ministry, in the Sector for Communications - Unit for postal traffic, the activities in this area are performed by 2 experts employed full-time, however in accordance with the Act for

systemisation of the posts in this unit three employees are envisaged. The inspections in the postal traffic are performed in the framework the State Transport Inspectorate, as a body within the structures of the Ministry, and the entire activity is performed by one inspector.

The Public enterprise for postal traffic "Makedonska Posta", in accordance with the existing Law is the competent public operator for performing the activities in the internal and international postal traffic, including the universal postal services, and has about 2550 employees.

## **SHORT-TERM PRIORITIES (up to 31.12.2007)**

### **LEGAL FRAMEWORK**

In the course of 2007, new Law on Postal Services shall be enacted, whereby the Directive 32002L0039 concerning the further opening to competition of Community postal services shall be transposed, whereas gradual and controlled liberalisation of the postal services market will be accomplished, as well as providing conditions for performing universal postal service. The increased competition in providing postal services by more operators shall provide a higher quality and better accessibility to the end-users by using alternative methods of communication. With the transposition of the Directive 32002L0039, the weight of the reserved postal services will be reduced from the current 350g to 100g. With the Law, an Independent Regulatory Body for Postal Services is to be established, which shall be legally separated and independent on the operational plan from the postal operators. The Law shall envisage the functions of a regulator in the postal services sector to be preformed by a future single regulatory body for electronic communications, audiovisual sector and postal services, and by the second quarter of 2007, a Strategy for development of the postal services is expected to be adopted, laying down the measures implementation dynamic and the activities for development of the postal services, using the Recommendations of the European Union, the Universal Postal Union and the World Trade Organisation.

### **INSTITUTIONS**

By the end of 2007, the Provisions of the new Law on Postal Services are expected to be implemented regarding the tasks performance from the scope of the Independent Regulatory Body, as well as the objectives laid down with the Strategy for development of the postal services.

## **MEDIUM-TERM PRIORITIES**

### **LEGAL FRAMEWORK**

In accordance with the decisions of the new Law on Postal Services, and in function of implementing the law, bylaws should be adopted within a period of six months after entering into force of the Law.

#### **Institutions**

For the training of the employees in the Independent Regulatory Body for Postal Services, 100.000 Euro will be necessary during the period 2008-2010. The funds will be provided from the budget of the independent regulatory body.

### **INSTITUTIONAL STRENGTHENING REQUIREMENTS**

According to the existing systematisation of working posts, one new employment is envisaged in the MTC Sector for Communications - Unit for postal traffic.

Within the frameworks of the Independent Regulatory Body, for the purpose of tasks performance in the area of the postal services, it shall be necessary to be employed five (5) persons with university degree. Provision of premises for the regulatory body, equipment, payments and other material expenditures shall be provided from the budget of the newly created regulatory body in which several areas will be encompassed.

<b>BUDGETARY BENEFICIARY/ INSTITUTION</b>	<b>INSTITUTION/ SECTOR</b>	<b>Current status 31.12.2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>Total</b>
13001: Ministry of Transport and Communications	MTC: Sector for Communications / Unit for Postal Services	2	1	0	0	0	1
	MTC: State Transport Inspectorate	1	0	0	0	0	0
	NEW: National Regulatory Authority for Postal Services	0	0	2	2	1	5
13001: Ministry of Transport and Communications Total		3	1	2	2	1	6
16001: Ministry of Education and Science	MES: Info centre for recognition of formal higher education qualifications (ENIK/NARIK)	1	2	1	0	0	3
	NEW: Body for mutual recognition of professional qualifications (vocational education)	0	1	2	0	0	3
16001: Ministry of Education and Science Total		1	3	3	0	0	6
<b>TOTAL</b>		<b>4</b>	<b>4</b>	<b>5</b>	<b>2</b>	<b>1</b>	<b>12</b>

## FOREIGN ASSISTANCE

In the beginning of 2007, experts from the European Commission through the TAIEX instrument, or from the Universal Postal Union or from the member country of the EU are expected to be included on bilateral basis, and together with the representatives of the MTC and the Public enterprise for postal traffic "Makedonska Posta" shall work on the preparation of the new Law on Postal Services and the Strategy for development of the postal services.

### 3.3.4 MUTUAL RECOGNITION OF PROFESSIONAL QUALIFICATIONS

#### CURRENT SITUATION

##### LEGAL FRAMEWORK

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

The recognition of professional qualifications in the **higher education** acquired abroad is regulated by the Law on Higher Education (Official Gazette of the Republic of Macedonia No.64/00 и 49/03), whereby the general legal framework is taken from the ratified Lisbon Declaration for the mutual recognition of professional qualifications of the Council of Europe on 11 April 1997 as well as the existing legislation of the European Union from this area. Pursuant to the Law on Higher Education, recognition of the higher education qualifications or part of the higher education studies acquired abroad shall mean recognition of diplomas and other documents issued by foreign higher education institutions or accredited i.e. authorised bodies of the particular country. Furthermore to recognizing the equality, the equal legal force with the adequate qualifications or part of the higher education studies acquired in the Republic of Macedonia is also recognised. The Law distinguishes between academic and professional recognition. With academic recognition, one can realise the right to access to the higher education institutions of the Republic of Macedonia i.e. the possibility to continue with the higher education studies for acquiring a higher education qualification, or recognition of a completed higher education qualification for academic purposes, in particular - registration for postgraduate studies or doctoral studies. With the professional recognition of higher education qualification, one is entitled to performing professional activity in the Republic of Macedonia. This procedure is in compliance with the legislation of the European Union which distinguishes between academic and professional recognition.

The Law on Higher Education provides for the procedure and the competent bodies for recognition of foreign higher education qualifications. In accordance with this law, there is an Information Centre at the Ministry of Education and Science which among other things, determines whether the formal and legal criteria for recognition of a foreign higher education qualification have been met. The Minister of Education and Science on the basis of the proposal of the Professional Recognition Commission of a higher education institution decides on every submitted request, particularly for recognition of the the higher education studies acquired abroad or of a part of the studies spent abroad. The Professional Recognition Commission is established by the Scientific and Educational Council i.e. the Educational Council of the Higher Education Institution which is closest to the educational and scientific area for recognition of a foreign higher education qualification. The Minister of Education approves whether the legal criteria have been met, and accordingly signs the final decision for recognition.

The law provides for implementation of the concluded bilateral agreements for mutual recognition of diplomas by the Ministry of Education and Science, under the conditions determined in the bilateral agreement. Republic of Macedonia has concluded bilateral agreements with the Republic of Bulgaria, the Republic of Albania and the Republic of Turkey; the implementation of which is conducted by an expert commission formed upon the decision of the Minister. Following the proposal by the expert commission, the Minister competent for the higher education signs the decision for nostrification of the recognised higher education qualifications or part of the higher education studies acquired abroad, in accordance with bilateral agreements.

#### STRATEGIC DOCUMENTS

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

## **INSTITUTIONAL FRAMEWORK**

The Ministry of Education and Science and the higher education institutions are the bodies competent for the implementation of the Law on Higher Education, the Law on Secondary regarding the recognition of foreign higher education qualifications.

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

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

## **SHORT-TERM PRIORITIES**

### **LEGAL FRAMEWORK**

The National Framework for Qualifications shall be established with the Law Amending the Law on Higher Education, with the Draft Law on the Vocational and Scientific Titles, simulations of the adopted concept for national graduation in the secondary education which shall become applicable as from the school year 2007 / 2008 and other appropriate amendments to the Law on Secondary Education in accordance with the National Program for Education Development in the Republic of Macedonia, adopted in April 2006.

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

Vocational education is planned to be regulated in accordance with the Directives of the European Union. EU Directives that refer to de jure professional recognition, which means recognition of qualifications acquired during the studies for the purpose of practice of professional activity in the host-country or in the country where the qualification was acquired and regulated with certain normative acts, i.e. these fall under the category of regulated professions.

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

A Gap analysis on the extent of the harmonisation of the National with the EU legislation in the area of mutual recognition of professional qualifications is planned.

## **INSTITUTIONAL FRAMEWORK**

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

## **MEDIUM-TERM PRIORITIES**

### **LEGAL FRAMEWORK**

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

## **INSTITUTIONAL FRAMEWORK**

The legal frame for recognition of foreign professional qualifications shall establish the structures and procedures for recognition of foreign profession qualifications. In 2008 national co-ordinator for mutual recognition of professional qualifications shall be appointed.

## 3.4 FREE MOVEMENT OF CAPITAL

### 3.4.1 REGIME OF MOVEMENT OF CAPITAL AND CURRENT PAYMENTS

#### CURRENT SITUATION

##### LEGAL FRAMEWORK

Legal framework on the regime of movement of capital and current payments comprises many laws and bylaws, according to which current and part of the capital transactions are liberalised. In June 1998, Republic of Macedonia adopted Article VIII of the IMF Statute, thus introducing convertibility in the payments through current transactions with abroad, thus fully liberalising the current transactions between the residents and non-residents.

**Law on Foreign Exchange Operations** (Official Gazette of the Republic of Macedonia, nos. 34/01, 49/01, 103/01 and 51/03) regulates the following: a) current and capital transactions and their realisation in the form of payments and transfers between residents and non-residents, between residents if they work with foreign means of payment or if the subject of operations is foreign means of payments, unilateral transfer of funds from and in the Republic of Macedonia which do not represent transactions made between residents and non-residents and b) the foreign exchange monitoring and control. Main feature of the Law is gradual liberalisation of the movement of capital depending on the maturity and the type of capital, and it is related to the obligations assumed under the Stabilisation and Association Agreement (Articles 58, 59 and 60). In fact, Law on Foreign Exchange Operations contributes to full liberalisation of the transactions envisaged in the first stage of SAA (direct investments, commercial credits and financial loans and credits with a maturity period exceeding 1 year). Provisions in the Law ensure for liberalisation of the financial credits as well, with a maturity period less than 1 year, which is envisaged to be implemented as an obligation in the second stage of SAA. Full liberalisation of the operations with securities and investments in real estate of residents abroad is planned following the expiry of the first stage of SAA. Liberalisation of the operations with deposits is planned after the expiry of the second phase of SAA. The Law is harmonised with the EU Directives 31988L0361, 31997L0005 and 31991L0308.

Payment operations in the country are regulated with the **Law on Payment Operations** (Official Gazette of the Republic of Macedonia, nos. 32/01, 50/01, 52/01, 103/01, 37/02, 41/02, 61/02, 42/03 and 13/06), and the bylaws. Pursuant to the Law, holders of payment operations in the country are the National Bank of the Republic of Macedonia and the banks, and it is only these institutions that can perform payment operations defined by the Law. The Law is harmonised with the EU Directives 98/26/EC.

Payment operations with abroad are regulated with the **Law on Foreign Exchange Operations** (Official Gazette of the Republic of Macedonia, nos. 34/01, 49/01, 103/01 and 51/03). Fast money transfer, defined as an electronic transfer of funds from a natural person in a country to another natural person in another country within 1 hour from the payment, regardless of whether the transfer is made from or to the Republic of Macedonia, whereas the net settlement is made through a commercial bank, is regulated by the **Law on Fast Money Transfers** (Official Gazette of the Republic of Macedonia, no. 77/03).

On bilateral basis, Republic of Macedonia concludes **Agreements on Promotion and Mutual Protection of Investments**. So far, 30 bilateral agreements are concluded (26 are entered into force, 3 are ratified and 1 is signed, and they are in the process of entering into force).

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

Legal framework for the insurance system in the Republic of Macedonia is defined with the Law on Insurance Supervision (Official Gazette of the Republic of Macedonia, nos. 27/02, 84/02, 98/02 and 33/04) and the Law on Mandatory Insurance in Traffic (Official Gazette of the Republic of Macedonia no. 88/05). Field of insurance is elaborated in details in Chapter 3.09 – Financial Services.

Basic law regulating the area of securities is the Law on Securities (Official Gazette of the Republic of Macedonia, no. 95/05). Within this Chapter, Directive 31998L026 is partially incorporated in the existing Law on Securities, the bylaws pertaining to the establishment of the Central Securities Depository, as well as the acts for the Central Securities Depository.

Law on Foreign Exchange Operations allows, in addition to the authorised banks and insurance companies, for the pension funds, Deposit Insurance Fund and the investment funds to invest in securities abroad, in accordance with the laws regulating their operations. Following the expiry of the first stage of SAA, other residents (citizens and enterprises) can invest in foreign securities abroad. Securities and Exchange Commission has adopted two rulebooks on the basis of the Law on Foreign Exchange Operations: Rulebook on Obtaining Approval for Issuance and Introduction of Foreign Securities and Rulebook on Obtaining

Approval for Issuance and Introduction of Securities, as well as documents on holdings in resident investment funds abroad (Official Gazette of the Republic of Macedonia, no. 49/01).

Law on Investment Funds (Official Gazette of the Republic of Macedonia, no. 9/00) regulates the terms and conditions for establishment of investment funds and investment fund management companies, and the manner of their operations, the process of selection of depositary bank and the control over their operations. Investment fund, pursuant to this Law, can be established as an open-ended or as a closed-ended fund. Law on Investment Funds contains no special limitations for investments of investment funds in foreign securities. The Law provides for limitations for investments that pertain to both domestic and foreign securities. Thus, the fund cannot invest more than 20% of their asset value in securities of one issuer. As an exception, the fund can invest, without any limitations, in debentures in the Republic of Macedonia. Fund can acquire maximum of 20% of the total number of shares issued by a single issuer and maximum of 15% of the total nominal value of debentures issued by a single issuer. Fund cannot invest more than 15% of the total number of shares issued by a single issuer and more than 10% of the total nominal value of debentures issued by a single issuer. Deposits with banks and other monetary assets of the fund can be up to 25% of the fund's assets. The fund cannot invest in securities issued by the selected depositary bank or branch office of foreign depositary bank, or in deposits of these institutions. The fund cannot invest in securities issued by other funds. The fund can exceed the maximum envisaged in the Law in cases of market disturbance with an approval by the Commission; however it is obliged to introduce such limit once normal market conditions are restored. Thereby, the fund can exceed the maximum envisaged in this Law over a period of four months of its establishment.

The Commission, under special rights, regulates the terms and conditions and the manner for harmonisation of the limitations for the investments in the cases of mergers and consolidations of two or more funds, or mergers and consolidations of two or more issuers in which the fund has invested. Other issues pertaining to the area of securities are elaborated in Chapter 3.9.3 – Financial Services.

## **INSTITUTIONAL FRAMEWORK**

Law on Payment Operations, regulating the payment operations in the country, is prepared by the Ministry of Finance. Ministry of Finance and National Bank of the Republic of Macedonia adopt the bylaws enabling the implementation of the Law. Supervision over the lawfulness and functioning of the payment operations is carried out by the National Bank.

Law on Foreign Exchange Operations is prepared by the Ministry of Finance. Bylaws are adopted by the Ministry of Finance, National Bank, Ministry of Economy and the Securities and Exchange Commission. Competences for law enforcement are conferred to: National Bank of the Republic of Macedonia, Ministry of Finance, State Foreign Exchange Inspectorate, Ministry of Economy and Securities and Exchange Commission.

Law on Fast Money Transfer is prepared by the Ministry of Finance, while the bylaws are adopted by the National Bank of the Republic of Macedonia. Supervision over the enforcement of the law and the bylaws, as well as over the operations of the service providers of fast money transfer and the sub-agents is carried out by the National Bank of the Republic of Macedonia.

There is Financial System Department within the Ministry of Finance in charge of the preparation of regulations in the area of banking system, non-banking financial institutions, capital market, foreign exchange system, insurance system, payment operations system, audit system and accounting system. Financial System Department is directly involved in the process of harmonisation of the national legislation in this field with the EU acquis. The department comprises 5 Units: Banking System Unit (2 employees), Capital Market Unit (2 employees), Insurance System Unit (2 employees), Payment Operations and Audit Unit (2 employees) and Accounting System Unit (3 employees). Two employees from the Financial System Department are involved in the harmonisation of the national legislation with the EU acquis – Chapter 4 – Free Movement of Capital.

When preparing the regulations, Ministry of Finance cooperates with the National Bank and other involved institutions: Ministry of Economy, Securities and Exchange Commission and Central Registry of the Republic of Macedonia.

National Bank of the Republic of Macedonia has twelve departments: Departments directly involved in the process of harmonisation of the national legislation with the EU acquis in terms of Chapter 4 are the following: Supervision Department – Banks and Saving Houses Supervision Unit (6 employees) and Non-Banking Institutions Inspection Unit (5 employees); Research Department – External Sector Developments Unit (4 employees); Central Banking Operations and Foreign Reserves Department: - Foreign Reserves Management Unit (6 employees), Open Market Operations Unit (5 employees), Risk Management Unit (5 employees); and Payment Systems Department – Development Unit (1 employee), Payment Systems Oversight Unit (2 employees). NBRM employs total of 420 persons.

Securities and Exchange Commission is composed of a President and 6 members. Pursuant to the Law on Securities (Official Gazette of the Republic of Macedonia, no. 95/05), following the expiry of the term of office of the present Securities and Exchange Commission, it is envisaged for it to comprise 5 (five) members, one out of which is the President. There is Specialised Service within the Securities and Exchange Commission, comprising four departments: Sector for General and Legal Operations (2

employees), Sector for Licensing (2 employees), Sector for Capital Market Control (4 employees) and Sector for Research and Development of Capital Market and International Cooperation (2 employees). Employees in the Department of qualified personnel, as well as members of the Securities and Exchange Commission, are in charge of the implementation of the respective bylaws from the Law on Foreign Exchange Operations and the provisions on settlement of securities of the Law on Securities, as well as the bylaws.

### **MEDIUM-TERM PRIORITIES**

Continuation of the monitoring over the process of harmonisation of the regulations with the obligations undertaken in the SAA and the legislation of the European Union to the end of liberalisation of the capital account. On the medium term, Republic of Macedonia will make further efforts to eliminate the remaining limitations regarding the short-term movement of capital.

Medium-term priority in this field is continuation of the harmonisation with the rules and practices of the EU regarding the settlement finality in payment and securities settlement systems (approximation with Directive 31998L0026).

## **3.4.2 PAYMENT OPERATIONS**

### **CURRENT SITUATION**

#### **LEGAL FRAMEWORK**

Legal framework in the field of payment operations is elaborated in details in part 3.4.1.a of this Chapter. Payment operations in the country are regulated with the Law on Payment Operations (Official Gazette of the Republic of Macedonia, nos. 32/01, 50/01, 52/01, 103/01, 37/02, 41/02, 61/02, 42/03 and 13/06) and the bylaws arising from the provisions in this Law. Payment operations with abroad are regulated with the Law on Foreign Exchange Operations (Official Gazette of the Republic of Macedonia, Nos. 34/01, 49/01, 103/01 and 51/03).

#### **INSTITUTIONAL FRAMEWORK**

Ministry of Finance is the institution authorised to prepare the Law on Payment Operations. Bylaws are adopted by the Ministry of Finance and the National Bank of the Republic of Macedonia. Supervision over the banks and the functioning of the payment operations system is the competence of the National Bank of the Republic of Macedonia.

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

Institutional framework in the field of payment operations is elaborated in details in part 3.4.1. b. of this Chapter.

### **SHORT-TERM PRIORITIES**

Preparation of a strategic document for development of the payment systems. This document is in a draft version and it will be adopted by advisory body on payment systems by mid 2007.

In the course of 2007, process for adoption of new Law on Payment Operations will be commenced. This amendment is envisaged for the purpose of ensuring consistency of the whole text of the Law, as well as improvement and enhancement of the reformed payment system, i.e. full harmonisation when carrying out payment operations in the country, in line with the EU standards and criteria.

### **MEDIUM-TERM PRIORITIES**

On the medium term, it is planned to fully incorporate the provisions of Directive 97/5/EC in the course of 2008.

## **3.4.3 MONEY LAUNDERING PREVENTION**

### **CURRENT SITUATION**

#### **LEGAL FRAMEWORK**

##### **Law on Money Laundering Prevention and Other Financial Proceeds from Criminal Offence**

(Official Gazette of the Republic of Macedonia, no. 46/04) – Legal bases for development of preventive system pertaining to money-laundering prevention were introduced in 2001 in the Republic of Macedonia for the first time by adopting the Law on Money Laundering Prevention (Official Gazette of the Republic of Macedonia, no. 70/01), which entered into force on 1<sup>st</sup> March 2002. On 12<sup>th</sup> July 2004, Assembly of the Republic of Macedonia adopted new Law on Money Laundering Prevention and Other Financial Proceeds from Criminal Offence (Official Gazette of the Republic of Macedonia, no. 46/04). New law is harmonised with the UN Convention against Trans-National Organised Crime from 2000 (Palermo Convention), Directive 32001L0097 amending Directive 31991L0308, as well as the FATF recommendations

Entities which pursuant to the Law on Money Laundering Prevention are obliged to undertake measures and activities for prevention and detection of money laundering are the following:



- financial institutions and their official and responsible persons;
- legal entities and natural persons performing the following activities: activities related to real estate trading; audit, accounting and financial consulting; notary, lawyer and other legal services pertaining to: sale and purchase of real estate or companies, money and securities management, opening and disposal of bank accounts, safe-deposit boxes and other accounts, establishing or taking part in the management or operations of the legal entities, representing clients in financial transactions and real-estate trading; activities related to trading with works of art, antiques and other objects of greater value for large consumption; activities related to trading with excise goods; activities connected with issuance of payment and credit cards; processing and trading with precious metals and stones; travelling and tourist agencies and other similar activities of acquainting property and other forms of disposal or management with money or property;
- companies organising games of chance (casino and others);
- foreign representative offices, affiliates, branch offices and parts of entities, registered abroad and performing activities in the Republic of Macedonia, as well representative offices, affiliates, branch offices and parts of entities registered in the Republic of Macedonia performing activities abroad and
- associations of citizens and foundations.

In May 2006, Analysis on modifications and changes to the Law on Money Laundering Prevention (46/04) was prepared to the end of its harmonisation with the Directive 2005/60/EC, the amended Strasbourg Convention (Warsaw Convention 198) and the revised FATF 40+9 Recommendations on prevention of money laundering and financing terrorism. On the basis of this Analysis, the Directorate has prepared a draft for adoption of the Law on Money Laundering Prevention and Other **Financial Proceeds from Criminal Offence** and Financing Terrorism. Main novelties in this draft are aimed at strengthening the measures for detection and prevention of money laundering by the entities, mainly by introducing the obligations for analysis of the clients depending on the assessment of the risk level. These measures will be also applied in cases of prevention of financing terrorism.

**Rulebook on the Contents of Reports on Transactions Submitted to the Directorate (Official Gazette of the Republic of Macedonia, no. 54/2004)**, arising from the provisions in the Law on Money Laundering Prevention of and Other Financial Proceeds from Criminal Offence.

#### Other laws

- Criminal Code of the Republic of Macedonia (Official Gazette of the Republic of Macedonia, nos. 37/96, 80/99, 4/02, 43/03 and 19/04);
- Law on Criminal procedure (Official Gazette of the Republic of Macedonia, nos. 15/97, 44/02 and 74/04);
- Banking Law (Official Gazette of the Republic of Macedonia, nos. 63/00, 103/00, 37/02, 51/03 and 85/03) and
- Law on Fast Money Transfer (Official Gazette of the Republic of Macedonia, no. 77/03).

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

- **National Strategy for Combating Money Laundering and Financing Terrorism** – strategic document on the fight against money laundering, adopted by the Government of the Republic of Macedonia on 30<sup>th</sup> June 2005. The Strategy includes activities to be undertaken in the period 2005 - 2008 for the purpose of establishing an adequate system for combat against money laundering and financing terrorism at national level.
- **List of indicators for recognising suspicious transactions** – defined guidelines based on the past experience and international best practices in the area of money laundering so as to assist the competent entities, bound by law, in easier recognising the suspicious transactions and
- **Rulebook on Prevention of Money Laundering and Financing Terrorism** – in October 2006, the Directorate prepared Rulebook with guidelines for implementation of measures and activities for prevention of money laundering and financing terrorism, and distributed it to all entities referred to in the Law, to the competent supervision bodies, as well as to other institutions. The Rulebook was prepared for the purpose of facilitating the practical implementation of the obligations arising from the Law.

#### INSTITUTIONAL FRAMEWORK

##### Directorate for Money Laundering Prevention

Focal point in the system for prevention of money laundering and financing terrorism in the Republic of Macedonia is the **Directorate for Money Laundering Prevention**. The Directorate is a body within the Ministry of Finance, established in September 2001 on the basis of the Law on Money Laundering Prevention (Official Gazette of the Republic of Macedonia, no. 70/01), and it started operating on 1<sup>st</sup> March 2002. The Directorate, as an administrative model of a Financial Intelligence Unit (FIU) is organised in three Units: Analytics Unit (3 employees), Suspicious Transactions Unit (2 employees) and System Development and International Cooperation Unit (2 employees). Employment of 1 person (IT expert) is in process. Since June 2004, the Directorate is a member of the EGMONT Group.

Besides the Directorate, the following institutions, on the basis of their legal competences, carry out the obligations arising from the Law on Money Laundering Prevention: Ministry of Internal Affairs, Financial Police, Public Prosecution Office, Customs

Administration, National Bank of the Republic of Macedonia, Public Revenue Office, State Foreign Exchange Inspectorate, Securities and Exchange Commission, State Anti Corruption Commission and other state bodies. When performing its competences, the Directorate cooperates with these bodies, as well as with other institutions and international bodies for combat against money laundering and financing terrorism. To the end of strengthening the cooperation between the Directorate and the other involved institutions, the Government of the Republic of Macedonia established Council for Combat Against Money Laundering and Financing Terrorism, the members of which are representatives from the Directorate, Ministry of Internal Affairs, Ministry of Justice, Public Prosecution Office, Financial Police, National Bank of the Republic of Macedonia, Securities and Exchange Commission, Customs Administration and Public Revenue Office. This body meets at least once a month and considers the issues and problems in the daily operations, exchanges experience, organises joint training and joint appearance in the international cooperation and submits report on fulfilment of the strategic objectives set in the Strategy to the Government of the Republic of Macedonia.

Pursuant to the Law on Money Laundering Prevention, supervision over the application of the measures and activities by the entities is performed by the following institutions: National Bank of the Republic of Macedonia supervises the banks, saving houses, exchange offices and providers of fast money transfer; Ministry of Finance - Insurance Supervision Department supervises the insurance companies; Securities and Exchange Commission supervises the Stock exchange, brokerage companies and investment funds; Public Revenue Office supervises the other financial institutions, companies organising games of chance and other legal entities and natural persons, subject to such measures and activities. Chambers of Attorneys and Chambers of Notaries, i.e. other professional associations of auditors, accountants and other persons independently performing legal and financial activities establish, within their competences, commissions for performing supervision over the implementation of measures and activities by their members, stipulated by this Law.

## **SHORT-TERM PRIORITIES**

### **LEGAL FRAMEWORK**

Harmonisation of the national legislation with the international regulations, experience and standards on prevention of money laundering and financing terrorism. Adoption of new Law on Prevention of Money Laundering and Other Financial Proceeds from Criminal Offence and Financing Terrorism, with purpose of its harmonisation with the Directive 2005/60/EC, the amended Strasbourg Convention (Warsaw Convention 198) and the revised FATF 40+9 Recommendations on prevention of money laundering and financing terrorism.

### **INSTITUTIONS**

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

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

Improvement of the regulations and supervision over the enforcement of legislation – Strengthening the capacities of these institutions through training and specialisation of the existing personnel

Increasing the level of efficiency of the operations of the law enforcement authorities – strengthening the capacities of these authorities through continuous training of their personnel

- Establishment of an efficient system for international cooperation;
- continuous implementation of the concluded Memoranda and Cooperation Protocols;
- signing Memoranda and Cooperation Protocols in detecting and prosecution of perpetrators of criminal acts and exchange of information, and
- introduction of electronic access to the databases of the relevant competent institutions.

Strengthening the technical capacities of the Money Laundering Prevention Directorate:

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

Strengthening the international cooperation

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

Raising public awareness on the necessity to undertake measures for prevention against money laundering and financing terrorism.

- creation of DMLP website and

- public announcement of the annual report on the operations and the activities of DMLP, as well as publishing of the statistical data on money laundering and terrorism financing in the Republic of Macedonia and at international level.

## **MEDIUM-TERM PRIORITIES**

### **LEGAL FRAMEWORK**

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

- preparation and adoption of bylaws aroused from the Law on Money Laundering Prevention of and Other Financial Proceeds from Criminal Offence and Financing Terrorism.
- incorporation of provisions in the laws that regulate the activities of the institutions providing financial or legal services, as well as the competent state bodies, for determining their competences in detecting and preventing money laundering;
- amendments to the Criminal Code to the end of incrimination of criminal act – financing terrorism as a separate criminal act, thereby taking into consideration the provisions in the Warsaw Convention 198 and the International Convention on Prevention of Money Laundering;
- ratification of the 2005 Convention on Money Laundering, Search, Seizure, Confiscation of Financial Proceeds from Criminal Offence and Financing Terrorism, amending and supplementing the 1990 Strasbourg Convention (Warsaw Convention 198)

### **INSTITUTIONS**

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

- continuous training and education of the employees in the financial institutions (Units), to carry out regular internal training for the other employees in the financial institution
- maintenance of the system for electronic submission of data on cash transactions exceeding EUR 15.000 (individual and connected), for the purpose of completing the Directorate's database.
- Improvement of the regulations and supervision over the enforcement of the legislation:
- continuous strengthening of the capacities of these institutions through training and specialisation of the existing personnel
- Increasing the level of efficiency in the operations of the law enforcement authorities
- continuous strengthening of the capacities of these institutions through continuous training of their personnel
- Establishment of an efficient system for international cooperation:
- continuous implementation of the concluded Memoranda and Cooperation Protocols;
- maintenance of the system for electronic access to the databases of the relevant competent institutions.
- Strengthening the technical capacities of the Directorate for Money Laundering Prevention
- further increasing in the number of employees in DMLP;
- continuous training of the employees in DMLP;

Strengthening the international cooperation

- implementation of the concluded Memoranda of Understanding of DMLP
- conclusion of Memorandum of Understanding with other countries
- participation in plenary sessions of the international bodies for combat against money laundering and financing terrorism (EGMONT, Council of Europe MONEYVAL Committee);

Raising public awareness on the necessity to undertake measures for prevention against money laundering and financing terrorism

- public announcement of the annual report on the operations and the activities of DMLP, as well as publishing of the statistical data on money laundering and terrorism financing in the Republic of Macedonia and at international level;
- publishing rulebooks and guidelines for the purpose of simplified enforcement of the Law for the entities obliged to act so pursuant to the Law

### **FOREIGN ASSISTANCE**

**Directorate for Money Laundering Prevention**– Technical assistance for procurement of software and equipment for automatic data processing, with funds provided with the 2003 CARDS Programme – Project on Combat against Money Laundering (continuation of 2002 CARDS).

Preparations are in progress for the realisation of the twinning project on institutional capacity building of the Directorate for Money Laundering Prevention, and for continuation of the implementation of efficient mechanisms for cooperation between the bodies included in the combat against money laundering and financing terrorism. Spain has been selected as a partner country in the Project. These funds are provided under the 2005 CARDS Programme.

Realisation of the project for technical assistance from GTZ will continue in the period 2006-2008.

**Foreign Investments Agency** – Project on Technical Assistance to the Ministry of Economy (Foreign Investments Agency) is on going, intended for improvement of the investment climate (funds in the amount of EUR 1,200,000 are provided by EAR through the CARDS Programme), and it will be realised in a period of 18 months (January 2006 – June 2007).

Technical assistance to the Foreign Investments Agency has also been provided from the World Bank under the Project “Investments in the Western Balkans”.

Realisation of another two projects on technical assistance provided by UNDP is in progress:

- “Stimulating Investment in Macedonia” and
- “Mapping the Investment Potentials of the Municipalities in the Republic of Macedonia” (in the amount of EUR 30,000)

Funds for the Project „Promotion of Foreign Investments in the Republic of Macedonia“, worth EUR 40.000 (2006-2007), are provided by GTZ.

#### **INSTITUTION BUILDING REQUIREMENTS**

<b>BUDGETARY INSTITUTION</b>	<b>BENEFICIARY/ INSTITUTION/ SECTOR</b>	<b>Current status 31.12.2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>Total</b>
09001: Ministry of Finance	MLPD: Directorate for Prevention of Money Laundering	9	1	1	1	2	5
09001: Ministry of Finance Total		9	1	1	1	2	5
<b>TOTAL</b>		<b>9</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>5</b>

## 3.5 PUBLIC PROCUREMENT

### CURRENT SITUATION

#### LEGAL FRAMEWORK

The Law on Public Procurement was adopted by the Assembly of the Republic of Macedonia on 26 March 2004 (Official Gazette of the Republic of Macedonia No. 19/2004), and entered into force on 7 April 2004. The following EU directives on public procurement are transposed into the Law on Public Procurement of the Republic of Macedonia: 89/665/EEC, 92/13/EEC, 93/36/EEC, 93/37/EEC and 93/38/EEC.

On the basis of the Law on Public Procurement, 11 (eleven) bylaws have been adopted and published in the Official Gazette of the Republic of Macedonia, as follows:

- **List determining the entities to which the provisions of the Public Procurement Law apply** (Official Gazette of the Republic of Macedonia No. 34/2004), adopted on the basis of Article 1, paragraph 3 from the Law;
- **Rulebook on the form and contents of the annual public procurement plan** (Official Gazette of the Republic of Macedonia No. 33/2004), adopted on the basis of Article 11, paragraph 7 from the Law;
- **Rulebook on the procedure for opening bids at open invitation and restricted invitation and on the form for keeping minutes of the bid opening** (Official Gazette of the Republic of Macedonia, No. 50/2004), adopted on the basis of Article 46, paragraph 4 from the Law;
- **Decision on determining equipment, materials and services of defence and security nature** (Official Gazette of the Republic of Macedonia No. 69/2004), the procurement of which is not subject to the Law, in accordance with Article 3, paragraph 2 from the Law;
- **Rulebook on the detailed rules for estimating the value of the procurement** (Official Gazette of the Republic of Macedonia No. 10/2005), adopted on the basis of Article 9, paragraph 2 from the Law;
- **Rulebook on the form and contents of the form and on the manner of keeping the registry of realised procurements of the procurers** (Official Gazette of the Republic of Macedonia No. 10/2005), adopted on the basis of Article 17, paragraph 5 from the Law;
- **Rulebook on the form and contents of the form and on the manner of keeping the Single Registry** (Official Gazette of the Republic of Macedonia No. 10/2005), adopted on the basis of Article 18, paragraph 3 from the Law;
- **Rulebook on the compulsory elements of the tender documentation** (Official Gazette of the Republic of Macedonia No. 10/2005), adopted on the basis of Article 36, paragraph 10 from the Law;
- **Methodology on expressing the criteria into points** (Official Gazette of the Republic of Macedonia No. 10/2005), adopted on the basis of Article 50, paragraph 5 from the Law;
- **Rulebook on the manner, terms and procedure for selecting experts who will examine the regularity of the public procurement procedure** (Official Gazette of the Republic of Macedonia No. 10/2005), adopted on the basis of Article 93, paragraph 10 from the Law.

Furthermore, to enable full implementation of the Law on Public Procurement, as well as provide unified application of the Law, the Public Procurement Bureau has prepared a standard tender documentation for procurement of goods, works and services and models of contracts, which the procurers can access on the website <http://javni-nabavki.finance.gov.mk>.

The Law Amending the Law on Public Procurement was adopted in December 2005. It has led to increase of the transparency in the public procurement procedures by introducing the obligation to publish the contract notices in the Official Gazette of the Republic of Macedonia and in electronic form on the Bureau's website as well. In addition, the Law provides for e-procurement, which has been practically introduced with the electronic procurement system. A Rulebook on the type and manner of using the electronic public procurement was adopted.

Regarding legal remedies, an administrative body for complaints – Appeals Commission was introduced. Existing regulation provides for the right to objection and complaint not only by the dissatisfied bidders and candidates, but also by those economic operators that have picked up tender documentation, but have not submitted a tender.

#### INSTITUTIONAL FRAMEWORK

In accordance with Article 24 from the Law on Public Procurement, the Public Procurement Bureau was established, which is a state administrative body, without legal personality, within the Ministry of Finance, being responsible to the Government of the Republic of Macedonia and the Minister for Finance.

The Public Procurement Bureau has the authority to realise the development of the public procurement system, through providing legality, rationality, efficiency and transparency in carrying out public procurement, and is also responsible for encouraging competition and equality of the bidders in the public procurement procedures.

At the moment, the Bureau has two Units: Unit for Public Procurement System Improvement and Unit for Register and Analysis. The Bureau employs 11 persons, excluding the Director, 3 out of which as bachelors of law, 4 bachelors of economics, 1 bachelor of civil engineering, 1 bachelor of electrical engineering and 2 administrative employees. It is envisaged for the number of personnel to be increased and for the personnel itself to be strengthened, so as the Public Procurement Bureau can successfully carry out its competences stipulated by the Law.

For the purpose of improving the transparency in public procurement procedures, and ensuring the true competition and corruption and fraud prevention, the following activities have been undertaken: publishing public procurement contract notices, legislation and bylaws, forms, models of contracts and standard tender documentation on the website, including the decisions of the second-instance Public Procurement Commission; regular and continuous updating of the Single Registry for realised public procurement; and preparing quarterly reports and their submission to the State Commission for Prevention of Corruption. The Public Procurement Manual and Guidelines for Public Procurement were prepared in cooperation with the Public Procurement Bureau project, financed by CARDS.

Inspection in public procurement procedures is within the Sector for Central Internal Audit within the Ministry of Finance. In the past period, employees in the Bureau attended several seminars, mainly covering the two new public procurement directives.

For the purpose of institutional strengthening of the capacities when carrying out public procurement at the procurers, the Bureau, in cooperation with the Public Procurement Bureau Project, financed by CARDS, organised two-day courses attended by over 300 participants.

## **SHORT-TERM PRIORITIES**

### **LEGISLATION**

It is planned to adopt new Law on Public Procurement by the end of 2007, which will be harmonised with the EU Directives on Public Procurement (2004/17/EC and 2004/18/EC, 89/665/EC and 92/13/EC).

Special attention will be paid to the regulating of the rules on public procurement at the entities performing one or more activities in the field of water supply, energy, transport, postal services and land exploitation, introducing value thresholds in line with the Directives, thus ensuring transparency and efficiency in the public procurement procedures, regulating the negotiated procedure with and without prior announcement of the contract notice and introducing electronic auctions and regulating the legal protection in line with the directives on legal remedies.

Taking into account the harmonisation of the concession rules, new Law on Concession is in the process of preparation, envisaged to be adopted in the first half of 2007. The Law is being prepared by the Ministry of Economy, in cooperation with the Ministry of Finance – Public Procurement Bureau, technical assistance being granted by SIGMA. It is planned to prepare a concept distinguishing the awarding of public services and works from the awarding of public goods, in line with the European practice.

### **INSTITUTIONS**

In the course of 2007, it is planned to strengthen the capacity of the Public Procurement Bureau, with 3 new employees. Training of the personnel is a constant activity of the Public Procurement Bureau, for both the existing one and the newly engaged, through participation at seminars and workshops and engagement of foreign experts.

The Bureau plans to continue its efforts for capacity strengthening at the procurers by organising training for the persons who participated in the implementation of public procurement procedures, as well as by publishing useful information on the Bureau's website. It is planned to organise at least two training courses in 2007.

It will continue the publishing of public procurement contract notices, including the decisions of the second-instance Public Procurement Commission; regular and continuous updating of the Single Registry for realised public procurement and preparing quarterly reports and their submission to the State Commission for Prevention of Corruption.

Cooperation with the State Audit Office and Commission on Public Procurement Complaints (i.e. State Commission on Public Procurement Complaints envisaged in the new law) will continue. In fact, all opinions from the Bureau are sent to the State Audit Office, which refer to the application of the Law on Public Procurement. The Bureau will continue to publish the decisions of the Commission on Public Procurement Complaints and will intensify the communication with it.

## MEDIUM-TERM PRIORITIES

### LEGISLATION

After adopting the Law on Public Procurement, the Bureau will commence with the preparation of the bylaws necessary for implementation of the Law.

### INSTITUTIONS

Pursuant to the new legal solutions, it is planned to establish a State Commission on Public Procurement Complaints, which will ensure efficient legal protection in the public procurement procedures. It is envisaged for the Commission members to be appointed by the Assembly of the Republic of Macedonia.

Efforts will be continued regarding the capacity strengthening of the Public Procurement Bureau by employing 3 new persons in 2008, as well as procuring the necessary IT equipment and software for the purpose of implementing the new legal solutions on e-procurement and electronic auctions.

It is planned to prepare new training materials in line with the new legal solutions, as well as to organise training for the procurers and the bidders. It is planned to organise at least 4 training courses for the procurers and the bidders in 2008.

### INSTITUTIONAL BUILDING REQUIREMENTS

BUDGETARY BENEFICIARY/ INSTITUTION	INSTITUTION/ SECTOR	Current status 31.12.2006	2007	2008	2009	2010	Total
04001: Government of the Republic of Macedonia	NEW: State Commission on Public Procurement Complaints	0	0	4	4	4	12
04001: Government of the Republic of Macedonia Total		0	0	4	4	4	12
09001: Ministry of Finance	MF: Public Procurement Bureau	12	2	2	1	1	6
09001: Ministry of Finance Total		12	2	2	1	1	6
<b>TOTAL</b>		<b>12</b>	<b>2</b>	<b>6</b>	<b>5</b>	<b>5</b>	<b>18</b>

### FOREIGN ASSISTANCE

For the purpose of realising the medium-term priority covering the preparation of a new Law on Public Procurement, to be fully harmonised with the EU Directives on Public Procurement, assistance was requested from TAIEX and it was approved. In the preparation of a new Law on Public Procurement expert will assist from SIGMA. The Bureau also participates in the regional project "Electra Web", financed by the European Commission, covering as participants the public procurement national institutions in the region. As a result, joint platform needs to be prepared regarding the implementation of e-public procurement to be compatible with the countries in the region.

## 3.6 COMPANY LAW

### 3.6.1 COMPANY LAW

#### CURRENT SITUATION

##### LEGAL FRAMEWORK

The field of company law is regulated by the **Company Law** (Official Gazette of the Republic of Macedonia No. 28/04 and 84/05), the **Law on the 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. 84/05), the **Law on Securities** (Official Gazette of the Republic of Macedonia No. 95/05) and the **Law on Takeover of Joint Stock Companies** (Official Gazette of the Republic of Macedonia No. 04/02 and 37/02).

The **Company Law** is fully harmonised with the EU Directives 31968L0151, 31977L0091, 31978L0855, 31982L0891, 31989L0666, 31968L0151, 31989L0667 and with the Regulation 31985R2137. In order to **accelerate the registration** of companies, the **Law on the One-stop-shop System and the maintenance of the trade register and the register of other legal persons** was adopted, which implemented the Directive 31968L0151 and its amendments in the Directive 32003L0058. In the course of 2005, the **Law on Amending the Company Law** (Official Gazette of the Republic of Macedonia No. 84/05) was amended along with 15 other laws in order application and implementation of the **one-stop shop system**. The Law enabled transferring the competence for registration of companies from the courts to the Central Register, as well as conducting the procedure for registration as a separate administrative procedure, instead of the previous (court) non-contentious procedure. The registration of trade companies through the **one-stop-shop system** commenced on 1 January 2006. The **Law on Takeover of Joint Stock Companies** regulates the procedure for taking over joint stock companies and implements the Directive 31988L0627. This Law regulates the manner and conditions for purchase of securities from joint stock companies, when a certain legal or natural person has acquired or intends to acquire more than 25 % of the voting shares, of the securities of the particular joint stock company.

**Strategic documents** in this field are: The White Paper on Corporate Governance in South Eastern Europe (Securities and Exchange Commission - Skopje, 2003); the Study for development and implementation of the One-Stop-Shop System (Central Register of the Republic of Macedonia, 2005, supported by the United Nations Development Programme - UNDP), and the Strategy for reforms in the judiciary (Government of the Republic of Macedonia, 2005) in the section on reforms of the courts and their competences which provides the exemption of registration of trade entities from the courts' jurisdiction.

#### INSTITUTIONAL FRAMEWORK

The Ministry of Economy is in charge of the field of company law with seven employees in its Sector for Legal Affairs. The Company Law is implemented by all *trade companies*. Other institutions and bodies involved in the implementation of the Law are the following: the Public Revenue Office, Banks, the Central Securities Depository, the Macedonian Securities Stock Exchange, the Securities and Exchange Commission and other competent (inspection) bodies.

The Central Register is competent for the registration of trade entities and the management of the one-stop-shop system through the database of the Unique Trade Register. The registration and entry of the data into the trade register for trade entities is performed in electronic form and the register is part of the central information base of the Central Register. Ten regional offices for registration are operational. There are 212 employees at the Central Register and an Appeal Commission, as a second-instance body, was established pursuant to the Law. (More information on the Central Register in the Economic Criteria chapter).

#### SHORT-TERM PRIORITIES

##### PROMOTING THE LEGAL FRAMEWORK

*The Law Amending the Company Law, the Law Amending the Law on the One-stop-shop System, for maintenance of the trade register and the register of other legal persons and the Law Amending the Law on Takeover of Joint Stock Companies will be adopted at the beginning of 2007.*

The **Law Amending the Company Law** will implement the medium-term recommendations from the ROSK Report of the World Bank for the purpose of harmonisation with the OECD principles for corporate governance from June 2005 and for fulfilling the responsibility from the PDPL 2 Arrangement made with the World Bank. This Law will facilitate the registration of trade companies and will improve the business environment. Provisions on improving the management of the companies, especially management of the joint stock companies will be detailed and will be harmonised with the Law on Misdemeanours (Official Gazette of the Republic of Macedonia No. 62/06.) **The Law Amending the Law on the One-stop-shop System, for maintenance of the trade register and the register of other legal persons** will facilitate and accelerate the registration of companies and will be harmonised with the Law on Misdemeanours (Official Gazette of the Republic of Macedonia No. 62/06).



The **Law Amending the Law on Takeover of Joint Stock Companies** will provide increased protection of the small shareholders, greater transparency and complete informing of the shareholders as well as the general public. The Directive 32004L0025 will be implemented in this Law.

## INSTITUTIONS

Priority for the upcoming period is the broadening of the network of Central Register offices for registration throughout the remaining part of the state. Due to the one-stop-shop system, the Central Register (CR) will be reinforced with new staff in accordance with the new competences. The Sector for Legal Affairs within the Ministry of Economy shall be reinforced with new employees in 2007.

## MEDIUM-TERM PRIORITIES

The submission of annual accounts to the Central Register will be modernised during the medium-term period, and a by-law on the annual account will be adopted in the first quarter of 2008 thereby regulating the procedure for submission of annual accounts electronically. The Company Law will be amended in 2008 in accordance with the Strategy and the Action Plan for corporate financial reporting for harmonisation with the EU directives. In the medium-term period, training sessions in the field of company law shall be continued for the Sector for Legal Affairs at Ministry of Economy, especially for the new employees.

## 3.6.2 ACCOUNTING AND AUDIT

Strategic document in this field is the National Strategy and the Action Plan for Reforms in Accounting and Institutional Strengthening, adopted by the Government of the Republic of Macedonia in August 2006. The activities laid down in the National Strategy and the Action Plan for Reforms in Accounting and Institutional Strengthening will enable application of the high quality standards for financial reporting in the corporate sector and will provide improved environment for investments and development in the private sector.

### ACCOUNTING

#### CURRENT SITUATION

#### LEGAL FRAMEWORK

The field of corporate accounting, annual accounts, financial reports and consolidated financial reports for trade companies is regulated by the **Company Law**, and the determining of annual accounts and financial reports (balance schemes) is regulated in accordance with the Directive 31978L0660, the Directive 31983L0349 and the Regulation 32002R1606. The Rulebook on determining the form and contents of the annual account and the Rulebook on the accounting plan and the separate accounts contents in the accounting plan were adopted (Official Gazette of the Republic of Macedonia No. 113/06) harmonised with the Directive 31978L0660. As regards small trade companies, pursuant to the Rulebook on determining the form and contents of the annual account, special forms of balance schemes are provided for large and medium size companies, while small entities are required to fill out reduced balance schemes by filling in the spaces marked with letters and Roman numbers.

With the Rulebook on Accounting Standards (Official Gazette of the Republic of Macedonia No. 40/97 and 73/99) the International Accounting Standards (IAS) of the International Accounting Standards Committee (IASC) were accepted as accounting standards applicable in the Republic of Macedonia since 1 January 1998. With the Rulebook on bookkeeping (Official Gazette of the Republic of Macedonia No. 94/04 and 11/05) the International Accounting Standards, which were updated on an annual basis for 2003, the foreword of the International Financial Reporting Interpretations Committee, the interpretations of the Standing Interpretations Committee (SIC) and the International standard for financial reporting No. 1 were translated. In accordance with the new Rulebook amending the Rulebook on bookkeeping (Official Gazette of the Republic of Macedonia No. 116/05), the International Financial Reporting Standards from No. 2 to No. 7 have been updated and published.

In compliance with the **Law on Securities** (Official Gazette of the Republic of Macedonia No. 95/05), the joint stock companies with special reporting obligations are obliged to prepare and submit quarterly, semi-annual and annual financial reports according to the adopted International Accounting Standards (pursuant to this Law, "a joint stock company with special reporting obligations" is a company that has made a public offer of securities, or has a principal capital of 1.000.000 EUR, in MKD counter-value, and has more that 100 shareholders, or is listed on the stock exchange).

#### INSTITUTIONAL FRAMEWORK

The competent institution for the accounting is the **Ministry of Finance** (Sector for Financial System) - the Unit for Accounting, in which there are three civil servants employed. The institutional framework includes (in accordance with the Company Law): all trade companies, the Central Register and the Public Revenue Office. In compliance with the other laws, the following institutions are included in the institutional network: the Securities and Exchange Commission, the National Bank of the Republic of Macedonia, the Unit for Insurance Supervision within the Ministry of Finance and the Agency for Supervision of Fully Funded Pension Insurance. The Securities and Exchange Commission monitors the compliance with the responsibility for disclosure of financial data prepared in accordance with the international financial reporting standards by the joint stock companies with special reporting obligations.

Pursuant to the Company Law, *the following entities are obliged to bookkeeping*: every large, medium and small trader, traders determined by law, as well as traders undertaking banking activities, insurance activities, traders listed on the stock exchange, as well as traders whose financial reports enter the consolidated financial reports of the aforementioned traders.

**The small trade companies** are exempted from the responsibility for audit of the annual accounts and have the responsibility to prepare only annual accounts with reduced data in accordance with the Directive 31978L0660.

The **Institute of Certified Auditors** was constituted in 2006, within which **Commission for Accounting Standards** meeting twice monthly was established. The responsibilities and competences of this Commission are transferred from the former Accounting Standards Commission (Official Gazette of the Republic of Macedonia No. 30/1997). The **Commission for Accounting Standards** within the Institute of Certified Auditors performs the activities on monitoring, harmonisation and application of the International Accounting Standards and will initiate the direction for amendments in legislation.

## SHORT-TERM PRIORITIES

### PROMOTING LEGAL FRAMEWORK

*Commission for Accounting Standards* within the Institute of Certified Auditors will provide updated translation of the International Accounting Standards and interpretations for 2006 by the end of 2007. In the 2007 annual programme of the *Council for Improvement and Supervision of the Audit* (Official Gazette of the Republic of Macedonia No. 109/05) it will be defined that the Council has to submit an annual report on its work and the work of the Institute of Certified Auditors.

## INSTITUTIONAL FRAMEWORK

The Commissions at the Institute of Certified Auditors will be trained to initiate measures for complete application of the principles of good corporate financial reporting. *The Accounting Standards Commission* within the Institute of Certified Auditors will be obliged to monitor, harmonise and apply the international accounting standards. The numerous consulting companies represent a good infrastructure for monitoring the processes and disseminating the amendments throughout the corporate sector.

## MEDIUM-TERM PRIORITIES

*The International Accounting Standards for small and medium size entities* will be translated once set by IFAC/IASB during the medium-term period. When published, acceptance and application of the international accounting standards for small and medium size entities will be in place. The capacity of the Institute of Certified Auditors will be built, as well as of the biggest regulatory institutions (the Public Revenue Office, the Securities Commission, the National Bank of the Republic of Macedonia, Supervision of Insurance, the Agency for Supervision of Fully Funded Pension Insurance etc.) in order to monitor, and especially induce the application of the International Accounting Standards (International Financial Reporting Standards) and the other accounting standards, i.e. to make sure that there is a complete and timely disclosure of financial data developed in accordance with the International Accounting Standards (International Financial Reporting Standards).

## AUDIT

### CURRENT SITUATION

#### LEGAL FRAMEWORK

In the field of audit, the main objective is the establishment of an auditing system compatible with the systems of the developed countries, as well as to provide application of the directly and generally accepted International Standards on Auditing. With the Law on Audit in 1997 (Official Gazette of the Republic of Macedonia No. 65/1997, 27/00, 31/01 and 61/02), in the Republic of Macedonia the process for establishing the system for auditing compatible with the auditing systems of the developed countries began, thus providing the direct application of the International Standards on Auditing. The Law regulated the criteria that certified auditors have to fulfil, as well as the criteria regarding their competency and independence, whereby European Union measures 31978L0660, 31983L0349 and 31984L0253 were taken into consideration. Pursuant to the provisions of this Law, up to adopting the new regulations, the regulations of the Law on Audit (Official Gazette of the Republic of Macedonia No. 65/1997, 27/00, 31/01 and 61/02) will be applied.

*Due to the need for organising an independent profession of an auditor*, a new Law on Audit was adopted in 2005 (Official Gazette of the Republic of Macedonia No. 79/05), which is in compliance with the Directive 31984L0253, and also considers the new Directive 32006L0043 on statutory audit of annual accounts and consolidated accounts. The legal framework is also covered by the Company Law which contains general provisions on auditing, and what was determined by the Company Law, shall be applicable for the regulation on audit as well. The Law on Audit deregulates the profession, whereby the Ministry of Finance has transferred entirely the competence from the domain of audit profession to the Audit Promotion and Supervision Council and to the Institute of Certified Auditors.

The International Standards on Auditing and the Code of Ethics, determined by the International Federation were accepted and published in the Republic of Macedonia in 1997, whereas their application commenced in 1998. In the course of 2005 the International Standards on Auditing and the Code of Ethics determined by the International Federation of Accountants (IFAC)

were published (Official Gazette of the Republic of Macedonia No. 92/05). The Programme on taking the exam for obtaining the Certified Auditor title, containing the subject areas that are examined, has been updated in April 2005 and published on the web site of the Ministry of Finance.

## **INSTITUTIONAL FRAMEWORK**

The Ministry of Finance is competent for the legal framework and the key legal acts in the auditing system within the Financial System Sector, with two employees in the Unit for payment operations system and audit system. Pursuant to the Law on Audit, an *Audit Promotion and Supervision Council* within the Ministry of Finance was established, which will contribute to audit promotion, will promote compliance with the high professional standards in the auditing profession, the monitoring and application of the law, the procedure for obtaining the certified auditor title, the activities of the Institute of Certified Auditors and the application of its general acts. Currently, 20 auditing associations and 136 Certified Auditors are operational.

Pursuant to the new Law, on 26 May 2006, the Institute of Certified Auditors was constituted (it adopted its Statute on the day of its constitution) – professional association of the Certified Auditors of the Republic of Macedonia as a chamber association. The Institute of Certified Auditors (ICA) is competent for: keeping register of certified auditors; register of auditing associations and Certified Auditors-sole proprietors; adopting a Programme on taking the exam for obtaining the Certified Auditor title; implementing the exam for obtaining the Certified Auditor title; monitoring the application of the International Standards on Auditing and the IFAC Code of Ethics of the professional accountants at the auditing associations and the Certified Auditors-sole proprietors, also performing additional responsibilities. Seven commissions were established pursuant to the National Strategy and the Action Plan for Reforms in the Accounting and Institutional Strengthening: Commission for Accounting Standards; Commission for Auditing Standards; Commission for Ethics; Commission for Quality Control of the Auditing Services; Commission for Education, Training and Publications; Commission for Implementation of the Exam for Certified Auditor and Commission for Registration of Certified Auditors.

The Commission for training and education for implementation of continuous professional education and training at the ICA will prepare candidates for taking the exam for Certified Auditor. Pursuant to the Law on Audit, the Certified Auditors are obliged to minimum of 40 hours professional continuous education per year, implemented by a relevant institution recognised by the Institute of Certified Auditors. The Programme on continuous professional training will be adopted in the 2007. As of 1 December 2006, an Administrator/Secretary-General of the Institute was employed in the Institute. An Activities Programme along with a budget plan was prepared by the end of 2006.

## **SHORT-TERM PRIORITIES**

### **PROMOTING LEGAL FRAMEWORK**

The activities of the Institute of Certified Auditors from the National Strategy and the Action Plan for Reforms in Accounting and Audit will be implemented and additional regulations will be adopted.

Until the new regulations are adopted, the regulations of the former Law on Audit (Official Gazette of the Republic of Macedonia No. 65/1997, 27/00, 31/01 and 61/02) will be implemented, in order to provide continuity in the activities. Starting from 1 January 2007, a Project Unit with two employees will be established at the Ministry of Finance, coordinated by one civil servant from the Ministry of Finance, to help implementation of the National Strategy and the Action Plan for Reforms in Accounting and Institutional Strengthening.

The Institute of Certified Auditors will keep a register of Certified Auditors and register of Auditing Associations and Certified Auditors-sole proprietors. ICA will adopt a Programme on taking the exam for obtaining the Certified Auditor title and implement the exam for obtaining the Certified Auditor title, monitor the application of the International Standards on Auditing and the IFAC Code of Ethics for professional accountants at the auditing associations and the Certified Auditors-sole proprietors and will perform additional responsibilities. The Programme on taking the exam for obtaining the Certified Auditor title, for gaining a working license for the Auditing Associations will be adopted by June 2007. The Institute will perform quality control of the work of its members through the Commission for Quality Control, which will adopt a Rulebook on Quality Control of the Auditing Services by the end of 2007. For the abovementioned goal, ICA will conduct activities for introducing the members to the necessary procedures and standards and implement disciplinary measures for the members whose work do not comply with the standards. The Commission for Education, Training and Publications will implement continuous professional education and training for candidates who will take the exam for Certified Auditor. The Programme on continuous professional training will be adopted by the end of 2007. The Commission for International Auditing Standards will prepare the procedures in order to enable continuous translation of the International Standards on Auditing and the other publications by the International Auditing Standards Board.

## **INSTITUTIONS**

The Sector for Financial System, competent for the system on auditing, will have new employees in the short term period. Financial means have been provided for the Audit Promotion and Supervision Council from the Budget of the Republic of Macedonia for 2007. The Council will adopt a new annual Programme by the end of the first quarter of 2007, in accordance to which shall submit an Annual Report on its work, on the work of ICA and on the implementation of the Action Plan to the Minister for Finance. In 2007 new persons will be employed in the ICA.

## MEDIUM-TERM PRIORITIES

### PROMOTING LEGAL FRAMEWORK

The National Strategy and the Action Plan for Reforms in Accounting and Institutional Strengthening will be implemented in its entirety during the medium-term period. Until the end of 2009, Law amending the Law on Audit will be adopted for transposition with the Directive 32006L0043. The undertaken obligations from the Stabilisation and Association Agreement will be respected and monitoring will be performed to the enforcement of provisions of the Law in order to establish an auditing system compatible to those of the EU Member States.

### INSTITUTIONS

Pursuant to the new Law on Audit, the Ministry of Finance will monitor the enforcement of the provisions of the Law. The Audit Promotion and Supervision Council and the Institute of Certified Auditors shall perform activities within the framework of their competencies governed by the Law. As regards medium-term plans, funds from the Budget of the Republic of Macedonia will be provided for the Audit Promotion and Supervision Council.

### INSTITUTIONAL BUILDING REQUIREMENTS

BUDGETARY BENEFICIARY/ INSTITUTION	INSTITUTION/ SECTOR	Current status 31.12.2006	2007	2008	2009	2010	Total
09001: Ministry of Finance	MF: Sector for Financial System /Unit for Payment Operations and Auditing System	2	1	0	0	0	1
	MF: Sector for Financial System/ Unit for Accounting	3	0	0	0	0	0
	NEW: Institute for Authorised Auditors	1	1	1	0	0	2
09001: Ministry of Finance Total		6	2	1	0	0	3
10001: Ministry of Economy	ME: Sector for Legal Affairs	7	2	0	3	2	7
10001: Ministry of Economy Total		7	2	0	3	2	7
CRRM: Central Register of the Republic of Macedonia	CRRM: Central Register	212	0	0	0	0	0
CRRM: Central Register of the Republic of Macedonia Total		212	0	0	0	0	0
<b>TOTAL</b>		<b>225</b>	<b>4</b>	<b>1</b>	<b>3</b>	<b>2</b>	<b>10</b>

### FOREIGN ASSISTANCE

According to the most recent calculations with the BERIS Project, funded with a loan from the World Bank, the amount of 530.000 EUR was foreseen for the Central Register for the purpose of financing the second phase of the Project on One-Stop-Shop System for Registration, more specifically for the following activities: Rescue System (Skopje and Bitola) with 460.000 EUR and Media Campaign in total of 70.000 EUR. Concerning the databases of the Central Register of the Republic of Macedonia and their necessary operation, upgrading of the basic location in Skopje and establishment of a secondary location as a Rescue System in case of an accident or a disaster, which in case of the primary location not functioning would be automatically operational, is envisaged during the second phase of the One-Stop-Shop Project. A media campaign will be realised in order to promote the new activities and to inform the public (more in the part on Economic Criteria).

*The National Strategy and the Action Plan for Reforms in Accounting and Institutional Strengthening* will be implemented until 2009 whereas the implementation started in the second quarter of 2006. The amount of 5.850.670 EUR was foreseen for the implementation of the Strategy and the Action Plan, out of which 4.55 million EUR have been already provided (3.7 million EUR from the Dutch Embassy in the Republic of Macedonia and 0.85 million EUR from Austria), and the Republic of Macedonia will cost-share 10% of the total amount of the activities covered with the National Strategy and the Action Plan, i.e. an amount of 585.067 EUR.

## 3.7 INTELLECTUAL PROPERTY LAW

### 3.7.1 COPYRIGHT AND RELATED RIGHTS

#### CURRENT SITUATION

##### LEGAL FRAMEWORK

For the purpose of a more efficient protection in the area of copyright and related rights, in 2005 the **Law Amending the Law on Copyright and Related Rights** (Official Gazette of the RM No 04/05) was adopted, in compliance with the following EU Directives: 31991L0250, 31992L0100, 31993L0083, 31993L0098, 31996L0009, 32001L0029 and 32001L0084. The following international agreements have been ratified: World Intellectual Property Organisation (WIPO) Agreement on copyright and the WIPO Agreement on performance and phonograms; thus fully completing the normative obligations referred to in Article 68 and 71 of the Stabilisation and Association Agreement (ANEX VII) of the Ministry of Culture. With the accession in the World Trade Organisation (WTO), the Agreement on the Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) has been accepted, and the standards resulting from the TRIPS Agreement have been incorporated into the national legislation. **The strategic document** for copyright and related rights is the National Programme for Culture (Official Gazette of the RM, No. 31/04) with priority protection of copyright and related rights (2004 – 2008)..

##### INSTITUTIONAL FRAMEWORK

*The Ministry of Culture* (MC) is a competent body in the area of copyright and related rights (CRR), including protection (administrative and inspectorial supervision). In March 2006, the *Sector for Copyright and related rights* was established with three employees. The Sector which consists of two units, Unit for Copyright and Unit for Related Rights is competent for normative and administrative affairs, administrative inspection within associations for collective administration, monitoring national and international legislations as well as for cooperation international governmental and non-governmental organisations of the UN (WIPO, WTO, and UNESCO), EU, and other organisations.

*The Sector for Inspectoral supervision and Control* has three employees in its two units, the Unit for Inspectoral supervision and the Unit for administrative inspection and Control. The Sector is competent for administrative supervision and control and inspectoral supervision in the area of culture. The State Market Inspectorate within the Ministry of Economy carries out inspectoral supervision concerning reproduction and distribution of computer programmes as well as of music and audiovisual works and computer programmes recorded on audio and audiovisual recording media with LCRR (detailed information on the State Market Inspectorate are presented in Part 1 Free Movement of Goods).

The Government has appointed president and members of the Commission dealing with copyright and related rights (Official Gazette of the RM No. 88/05). In 2006 an *Advisory Body in the area of Copyright* was set up composed of three national experts concerning certain issues in this area. The Ministry of Culture announced a Public Competition (Official Gazette of the RM No. 105/05) thus issuing two licenses for two new associations for collective administration of related rights (Official Gazette of the RM No 111/06), except the current Association for Protection of Music Copyright (APMC), which will assist in the implementation of the Law, where AMPC is authorised on behalf of and on the account of CISAC (The International Confederation of Authors and Composers Societies), AGICOA (Association of International Collective administration of Audiovisual Works), and international associations entitled to exclusive radio broadcasting rights (EBU (European Broadcasting Union) and VPRT (Der Verband Privater Rundfunk und Telekommunikation)), to collect fees from cable re-transmission. **The Coordinative Body for copyright and related rights** was set up in accordance with the Government's Decision as an interministerial body competent to monitor promotion, integrated and efficient management of the administration regime, including the protection of the aforementioned rights.

#### SHORT-TERM PRIORITIES

##### LEGAL FRAMEWORK

The Ministry of Culture shall draft a **strategic document - National Strategy for furtherance of the legal protection of copyright** in 2007. On the basis of the LCRR, the Government shall adopt Decision on determining the remuneration for private copying and reproduction on the proposal by the Ministry of Culture in the beginning of 2007. In the second half of 2007 New LALCRR (Law amending the Law on Copyright and Related Rights) shall be adopted for the purpose of harmonisation with the new Law on Misdemeanours and for more precise definition of the inspection competences of states authorities.

##### INSTITUTIONS

The capacity of the Ministry of Culture will be strengthened with new personnel in the Sector for Copyright and Related Rights and in the Sector for Inspectoral supervision and Control. The activities of the union of the coordinative bodies for CRR (Copyright and Related Rights) and industrial property in Coordinative Body for Intellectual Property will be realised. Following the issue of the licenses for collective administration to both entities, issue of consents on their general acts concerning application of tariffs and compensation allocations by the Ministry of Culture shall continue. Associations will be qualified for negotiations with their

beneficiaries (including activities with regard to regular actions in the area of the fight against piracy). New public competitions for collective administration shall be announced, in particular, on the right of private copy, the right to use audiovisual works as well as use of artistic works.

## **MEDIUM-TERM PRIORITIES**

### **LEGAL FRAMEWORK**

International trends and practices in the area of copyright and related rights and the EU regulation shall be monitored. New Law on Copyright and Related Rights for the purpose of harmonisation with the Directive 32004L0048 and for improvement of the collective administration will be adopted in 2009. The provisions shall be harmonised with other WIPO (The World Intellectual Property Organisation) and EU international acts, with penalty provisions and collective administration of the rights shall be improved.

### **INSTITUTIONS**

In 2008 the Sector for Copyright and Related Rights and the Sector for Inspection supervision and Control should be enlarged to a total number of employees. The support to the existing and the assistance for newly founded associations shall continue, if in the prior period all types of use of copyright and related rights that are generally exercised in this manner are not covered yet. The support includes continuous training for the personnel working in this area.

## **3.7.2 INDUSTRIAL PROPERTY LAW**

### **CURRENT SITUATION**

#### **LEGAL FRAMEWORK**

With the accession in the World Trade Organisation (WTO), the Agreement on the Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) has been accepted, and the standards resulting from the TRIPS Agreement have been incorporated into the national legislation. **The Law on Industrial Property** - (LIP), (Official Gazette of RM No 47/02, 42/03, 09/04, 39/06) is the main law in the area of industrial property, and it is harmonised with the following EU Regulations: 31992R1768; 31996R1610; 31998L0071; 31989L0104 and 31992R2081. The Directive 31998L0044 was transposed by amending the **Law on Industrial Property** in 2006, thus introducing administrative measures concerning actions by the State Market Inspectorate, followed by harmonisation of the bylaws. **International agreements** have been ratified in accordance with the Stabilisation and Association Agreement of the Republic of Macedonia with the European Union (ANNEX VII), for which the *State Office of Industrial Property* is in charge. All industrial property rights, patents, industrial design, trade marks and appellations of origin of the products and geographical indications are covered by this Law. The protection of topographies of integrated circuits is realised through their registration in accordance with the **Law on Protection of Topographies of Integrated Circuits** – LPTIC (Official Gazette of the Republic of Macedonia No. 5/98), and the Rulebook on the content and form of the application for registration on the Topography of integrated circuits (Official Gazette of the RM No. 45/98) which have been harmonised with Directive 31987L0054 on the legal protection of semiconductor products.

The protection of the industrial property rights in the Republic of Macedonia is realised through a number of international systems for protection; administered by WIPO and the Cooperation Agreement in the area of patents with the European Patent Organisation (EPO) which enables the extension of validity of the European patent on the territory of the Republic of Macedonia. In 2006 EPO accepted the letter of interest for EPO membership of the Republic of Macedonia.

#### **INSTITUTIONAL FRAMEWORK**

The body competent for implementation of the Law on Industrial Property and the Law on Protection of Topographies of Integrated Circuits is the *State Office of Industrial Property* (SOIP), an independent body of state administration, financed by proper incomes. The competencies of the SOIP concern the implementation of the administrative procedure for recognition of industrial property rights and other competences arising from the LIP and the LCM. The total number of employees in the SOIP (in 4 sectors and 8 units) is 28 civil servants.

For strengthening of the implementation of the industrial property rights protection, the Coordinative Body for industrial property (Official Gazette of RM No 98/05) was established. The Body was constituted in March 2006, and is composed of representatives from the institutions included in the protection system. A Draft-Programme for approximation of the rights protection to the European standards has been prepared.

The overall activity of the SOIP is supported by an IT system covering specialised software for conducting an administrative procedure, realisation of international communications with other national offices and international protection systems such as the EPO and the WIPO. The CARDS Project (Community Assistance for Reconstruction, Development and Stabilisation) 2004 for functional data base with web platform and server procurement has been realised. The new web-site of SOIP (State Office of

Industrial Property) is functional. Association of representatives in the area of industrial property exists in the Republic of Macedonia.

## SHORT-TERM PRIORITIES

### LEGAL FRAMEWORK

In 2007 the Convention on the Grant of European Patents - European Patent Convention shall be translated and national legislation to meet the conditions for membership in EPO shall be analyzed. In the first half of 2007 a Law Amending the Law on Industrial Property shall be adopted for the purpose of harmonisation with the Law on Misdemeanours. An initiative for amendments of the Criminal Code (Official Gazette of the RM No 37/96, 80/99, 4/02, 43/03, 19/04, 81/05) shall be instigated for the purpose of harmonisation of incriminated activities for violation of the industrial property rights with the Law on Industrial Property. In 2007, on initiative by the Ministry for Agriculture, Forestry and Water Economy, the Ministry of Foreign Affairs shall instigate procedure for ratification of the new variety of plants - UPOV International Convention for Protection of New Variety of Plants (detailed information in Chapter 12. - Food Safety and Control)

### INSTITUTIONAL FRAMEWORK

In order to strengthen the capacity of SOIP new people shall be employed. A functional database for violation of the industrial property rights shall be established, providing access to the databases of the Office through the new web site and improving the cooperation with the other participants in the system of the industrial property protection. The training of the employees of the Office, and to other subjects involved in the system for protection shall be realised through national and regional seminars, study visits and other activities within the frames of the cooperation with WIPO, EPO, and bilateral cooperation.

## MEDIUM-TERM PRIORITIES

### LEGAL FRAMEWORK

There shall be continuous monitoring of the modifications in the EU legislation for the purpose of harmonisation of the national legislation and to create conditions for EPO membership, in the second quarter of 2008 European Patent Convention shall be ratified for the purpose of harmonisation of the Law on Industrial Property. In 2008 the Directive 32004L0048 and other international agreements shall be analysed and on that basis amending the Law on Industrial property shall be proposed. An initiative for ratification of the Vienna Agreement Establishing an International Classification of the Figurative Elements of Marks, the Patent Law Treaty and the Trademark Law Treaty is planned for first quarter of 2009.

### INSTITUTIONAL FRAMEWORK

The State Office of Industrial Property shall employ new persons in the medium-term period. The level of technical equipment shall be maintained and there shall be continuous training of the employees in the Office, as well as to other subjects involved in the system for protection. Furthermore expert assistance shall be used for harmonisation of the Law on Industrial Property with the amendments of the international legislation.

## 3.7.3 ENFORCEMENT OF THE INTELLECTUAL PROPERTY RIGHTS

### CURRENT SITUATION

#### LEGAL FRAMEWORK

The realisation of the intellectual property rights is regulated with the LCRR, LIP, LPTIC and litigation laws. The *Decision on Pronouncement of the Amendments to the Constitution* (Official Gazette of the RM No 107/05) is adopted, according to which, certain administrative bodies and institutions may pronounce sanctions without a court procedure.

The Law on Customs Measures for Protection of Intellectual Property Rights – (LCMPIPR), (Official Gazette of the RM No. 38/05) concerning the **Customs Administration** has been adopted, which regulates action of the customs services, and the Law has been harmonised with Regulation 32003R1383(Official Gazette of the RM No. 38/05).

**For the State Market Inspectorate – Ministry of Economy (SMI)**, the Law on State Market Inspectorate (Official Gazette of RM No 35/97, 23/99, 7/2002) is in force. The competences of SMI are defined in the applicable laws on intellectual property, in particular LCRR and LIP. Amendments of the Law on Industrial Property introduced administrative measures for operation of SMI in cases of violation of industrial property rights. In addition, **strengthening of the penal provisions** has been done through regulating the measure on items' confiscation by which violation of the industrial property rights was performed.

**Judicial Protection of the intellectual property is realised through civil, misdemeanour and penal legal protection.** Part of the civil-legal protection regarding the provisional and other measures, compensation of damages in a civil procedure, as well as provisions regarding misdemeanour protection and material violation of a misdemeanour nature have been determined in LCRR, LIP, and LPTIC. The penal provisions has been regulated in the Criminal Code (Official Gazette of RM No 37/96, 80/99, 4/02, 43/03, 19/04, 81/05 and 73/06). The Law on Execution (Official Gazette of RM No 35/05, 50/06 and 129/06) stipulates execution of fines and costs imposed in civil, misdemeanour, criminal and administrative procedure as well as enforcement of temporal measures in civil procedure, according to LCRR. In case of violation of intellectual property right procedure before courts

processing laws apply. In case of administrative procedure against decisions of second-instance commission administrative dispute may be instituted before the Supreme Court (Administrative Court) in accordance with the Law on Administrative Disputes (Official Gazette of RM No 62/06) and in accordance with the Law on Courts (Official Gazette of RM No 58/06).

## **INSTITUTIONAL FRAMEWORK**

**The Ministry of Culture** is competent institution for implementation of the LCRR through administrative supervision of the collective administration and through inspectoral supervision. **The State Office of Industrial Property** is competent for implementation of the LIP and LCM. On the basis of the LCRR (Law on Copyright and Related Rights), LIP (Law of Industrial Property), LCM (Law on Customs Measures for Protection of Intellectual Property Rights) and the particular laws, other state bodies and institutions such as the State Market Inspectorate, the Customs Administration and the Ministry of Interior have certain competences.

According to the **Decision on Pronouncement of the Amendments to the Constitution** certain administrative bodies and institutions may pronounce actions without a court procedure. In relation to certain violations, determined by law, when other State bodies pronounce sanctions, judicial protection is guaranteed.

The **Inspectoral surveillance** for part of LCRR and for LIP in entire is performed by the **State Market Inspectorate** within the Ministry of Economy, in cases of trade in goods which violate the intellectual property rights (counterfeiting and piracy). The State Market Inspectorate performs inspectoral supervision in legal, natural and other subjects, acting upon applications and petitions from citizens and other institutions and in organised actions with other bodies. (The SMI matter is presented in details in the part 01. - Free Movement of Goods)

In the remaining cases of violation of the copyright and related rights, the inspection surveillance is performed by the **Ministry of Culture**. Web site for wider presentation of the copyright and related rights was realised in the second quarter of 2006.

The competencies of the **Customs Administration** arising from the Law on Customs Measures for Protection of Intellectual Property Rights – (LCM), (Official Gazette of the RM No. 38/05), which regulates action of the customs services in case when there is violation of some of the intellectual property rights by import, export, re-export, temporary import or transit of certain goods. The Law stipulates the measures taken against goods for when determined that such rights have been violated. A new *Unit for Non-Tariff Measures* has been set up within the *Sector for Customs System* in the Customs Administration of the Republic of Macedonia. This Unit currently has *three employees*, and six positions have been provided for in the systematisation. In each of the five regional Customs Offices, as experts in this matter, are designated one coordinator and deputy coordinator. (This matter is presented in details in part 29. Customs Union)

**The Ministry of Interior** is competent in cases when the violation of the intellectual property rights gains dimensions of organised crime and it is responsible to undertake the prevention and detection of the crime *ex-officio*. (This matter is presented in details in part 24. Justice, Freedom and Security)

Upon the decisions in the administrative procedure within the State Office of Industrial Property, appeal may be instituted before the Second-Instance Commission in the Government, and for appeals upon decisions within the State Market Inspectorate before the Second-Instance Commission within the Ministry of Economy. Appeals against the decisions of the second-instance commission's administrative dispute may be instituted before the Supreme Court.

**Judicial Protection** of the intellectual property is realised through civil, misdemeanour and penal legal protection. According to the new Law on courts (Official Gazette of the RM No 58.06), which entered into force from 19.05.2006, and shall apply from 1.1.2007, intellectual property disputes shall settle in courts with broader competence (more details in part 23. Judiciary and Fundamental rights)

**The State Statistical Office** according to the Programme for Statistical Researches and the Law on the State Statistic (Official Gazette of RM No 54/97) enforces statistical researches for monitoring crime and its forms and the data in the Statistical Yearbook. (More details in the part 18. Statistic)

## **SHORT-TERM PRIORITIES**

### **LEGAL FRAMEWORK**

**The Ministry of Culture and the State Office of Industrial Property**, shall adopt the **Law on amending the Law on Industrial Property** and new **Law Amending the Law on Copyright and Related Rights** mostly for the purpose of harmonisation with the Law on Misdemeanours in the first part of 2007,

In the part covered by the Customs Administration, the Law amending the Law on Customs Measures for Protection of Intellectual Property shall be adopted for the purpose of harmonisation with the Law on Misdemeanours in the first part of 2007. (More details in part 29. Customs Union)



A new **Law on the State Market Inspectorate** shall be adopted for the purpose of obtaining efficient system of market surveillance according to the principles of inspectoral supervision applicable in EU, and for public notification, in particular, where there is a serious risk for public health and security. This Law shall: provide better accomplishment of the public and business community interest; specialisation of inspectors; possibility the controlled subject to complain to the minutes; possibility to institute misdemeanour procedure and active execution of inspectoral controls with extended authorisations in the supervision of business premises; sampling and carrying out unplanned controls due to urgency and increase risk; and determination of new competence of the State Market Inspectorate in accordance with the Law on Misdemeanours (more details in the part 01. Free Movement of Goods)

**The Ministry of Justice** within the framework of the amendments of the **Law on Courts** shall focus the cases from the area of intellectual property to 12 courts with broader competence. The Criminal Code shall be amended and supplemented in the 2007 in order to make distinction of the incriminated actions concerning violation of copyright and related rights. Other bylaws shall be adopted in accordance with the Law on Courts to provide more efficient protection of the intellectual property rights. (The matter is presented in details in Chapter 23, Judiciary and Fundamental Rights).

## **INSTITUTIONAL FRAMEWORK**

The **Ministry of Culture** shall strengthen *its system of efficient protection of the intellectual property rights*. In order to monitor the enforcement of copyright and related rights, the Ministry of Culture shall produce **data base** compatible with the SOIP data base for industrial property of the subjects in exercise and protection of the copyright and the related rights.

*Other measures and the activities for raising the awareness for the need of exercise the copyright and related rights of the Ministry of Culture shall include:* promotion campaign for fight against piracy shall be realised in the 2007; a web site for copyright and related rights shall be available for the public in 2007; and activities for seizure and public destruction of seized pirated items and inspection activities will be realised. Conditions for the *associations for collective administration* shall be provided, and training funded with assets provided from the budget of the Ministry of Culture for 2007 in order to strengthen and begin with self-financing. Commission dealing with copyright and related rights is in negotiation procedure with the associations of collective administration and opinions about their rulebooks the funds are provided for in the Budget of the Ministry of Culture.

*Building-up of the system for protection of the rights by the State Office for Industrial Property shall be achieved through the realisation of the Programme of the Coordinative Body for intellectual property; thus increasing the efficiency concerning exercise the rights.* Subjects shall have network connection with the system for information exchange and functional data base, and through the SOIP web-site the public will have extensive access to the date on registered and recognised industrial property rights. The training of the SOIP personnel and other subjects will continue.

*Future planned activities of the Customs Administration are as follows:* employees' participation in training on recognition of original and counterfeit goods, cooperation between the competent institutions and exchange of information on registered rights and holders of copyright (for that purpose an act shall be concluded with the Ministry of Culture in 2007 with regard to establishing a list of associations for collective administration), minutes and information exchange with international institutions.

**The State Market Inspectorate shall contribute to improvement of the conditions with regard to exercise of the intellectual property rights.** The new Law on Market Inspectorate (it shall be adopted in 2007) and the new organisation shall strengthen the capacity of the State Market Inspectorate through differentiating and specifying the competences referred to in the regulative from the area of intellectual property protection (the Ministry of Culture, police, market inspectorate), in order to achieve more efficient intellectual property rights. From 27.05.2007, the State Market Inspectorate shall commence misdemeanour procedure, and for that purpose SMI Commission shall be set up. The State Market Inspectorate shall intensify its activities; carry out training and equipping for detection of counterfeit and pirate products (supported by CARDS Project). (More details in part 01. Free Movement of Goods)

For the purpose of strengthening human resources in the *Department for Cyber Crime and Counterfeiting* within the **Ministry of Interior** new persons shall be employed in 2007. (More details about the capacity in Chapter 24 Justice, Freedom and Security).

*With regard to the judiciary reform and the new organisation of the courts, special account is taken on the protection of intellectual property rights.* Measures are taken due to located legal institutional and operative deficiencies, in particular: compliance with the new Law on Misdemeanours; amendment to the Criminal Code of the Republic of Macedonia aimed at more successful piracy management and violence of the intellectual property rights. Following the set up of Administrative Court, appeals on first-instance decisions shall be transferred from the state bodies to this Court. According to the Law on Courts, applicable from 1.1.2007, the courts of first instance shall be competent courts, in line with the territorial first-instance competence – 27, 12 of which shall have extended competence (for cases of intellectual property). Within **five** courts of first instance with extended competence, *special court units shall be set up for trial of actions and of the area of organised crime*. The Programme for training of judges and prosecutors by the Academy for Training of Judges and Prosecutors shall be adopted in the second quarter of 2007, where specialised training for those cases shall be provided. Hardware and software equipment shall be provided

to courts and to public prosecutors' offices and network connection with the data bases. (More details in Chapter 23. Judiciary and Fundamental Rights)

## MEDIUM-TERM PRIORITIES

### LEGAL FRAMEWORK

In the medium term period until 2010 the national legislation shall be harmonised with the Directive 32004L0048 and with other international acts (of UN and of EU). Civil servants and collective associations, judges and prosecutors shall be trained for cases of violation of intellectual property rights and protection of rights and coordination of subjects in the system of advancement through the Coordination Body activities.

### INSTITUTIONAL FRAMEWORK

Ministry of Culture will prepare Program for education of the subjects in the field of protection of the copyright and related rights in 2008. . In the Unit for non –tariff measures in the sector for customs system new staff will be employed until the end of 2009. (More in the part Customs union). Scope of the statistical data concerning disputes arising from violation of intellectual property rights shall be extended in 2010 by the State Statistical Office, with methodology for statistical monitoring and statistical data processing concerns measures taken for enforcement of the intellectual property rights and final decisions by the courts. The methodology and statistics shall contribute to efficient use of the data base and information on enforcement of the protection of intellectual property rights shall be communicated through reports.

### INSTITUTION BUILDING REQUIREMENTS

BUDGETARY BENEFICIARY/ INSTITUTION	INSTITUTION/ SECTOR	Current status 31.12.2006	2007	2008	2009	2010	Total
09003: Customs Administration	CUSTOMS: Sector for Customs System / Unit for Non-Tariff Measures	3	0	1	1	1	3
09003: Customs Administration Total		3	0	1	1	1	3
11002: State Office of Industrial Property	SOIP: State Office of Industrial Property	28	4	4	4	3	15
11002: State Office of Industrial Property Total		28	4	4	4	3	15
18001: Ministry of Culture	MC: Sector for Copyright and Related Rights	3	2	1	1	0	4
	MC: Sector for Administrative and Inspection Supervision	3	0	0	0	0	0
18001: Ministry of Culture Total		6	2	1	1	0	4
29010: Judiciary	NEW: COURTS/Intellectual Property/Administration	0	0	0	0	0	0
	NEW: COURTS/Intellectual Property/Judges	0	0	0	0	0	0
29010: Judiciary Total		0	0	0	0	0	0
<b>TOTAL</b>		<b>37</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>4</b>	<b>22</b>

### FOREIGN ASSISTANCE

Within the framework of the Regional CARDS Programme on training of employees in institutions of the system for protection of the intellectual property (2004-2006), in 2007, **Elaboration of Guidelines on Trade Mark Examination Procedure** shall be drafted. Functional database for violation of the industrial property rights shall be produced as well as network connection of the subjects in the protection system through the National Programme CARDS 2004 (EUR 200.000) in the first half of 2006. For the base to be functional appropriate hardware and software support is necessary for all subjects as well as methodology for record of the actions and procedures concerning violation of the industrial property rights. **The Project 'Towards EU Standards for Copyright and Related Rights'** is aimed at support and strengthening of copyright and related rights in the Republic of Macedonia in accordance with the EU standards, through capacities building of the competent state authorities and interested individuals. Carrier of the Project is the University "Macedonia" in Thessalonica, and implemented (coordinated) by the Faculty of Law "Justiniana Prima" – Skopje, "Ss. Cyril and Methodius" within the framework of the TEMPUS Programme. The Project has a total budget of EUR 292,577.00; EUR 277,929.00 of which are granted by the TEMPUS Programme (JEP-19076-2004), and the remaining funds are provided by the carrier and the coordinator.

## **3.8 COMPETITION POLICY**

### **3.8.1 COMPETITION POLICY**

#### **CURRENT SITUATION**

##### **LEGAL FRAMEWORK**

The Law on Protection of Competition (Official Gazette of the Republic of Macedonia No 04/05 and 70/06) regulates the protection of competition in the Republic of Macedonia. The Law is harmonised with the Treaty establishing the European Community (Articles 81, 82 and 86 thereof) and the following EU measures: 31962R0017, 32003R0001, 31971R2821, 32004R0139, 31997Y1209(01) and 52001XC1222(03).

The bylaws envisaged with the Law on Protection of Competition (LPC) were adopted in 2005, and published in Official Gazette of the Republic of Macedonia No 91/05:

- Decree on block exemption granted to vertical agreements on exclusive right of distribution, selective right of distribution, exclusive right of purchase and franchise (aligned with 31999R2790);
- Decree on block exemption granted to horizontal research and development agreements (aligned with 32000R2659);
- Decree on block exemption granted to horizontal specialisation agreements (aligned with 32000R2658);
- Decree on block exemption granted to technology transfer agreements, license or know-how (aligned with 32004R0772);
- Decree on block exemption granted to agreements on distribution and servicing of motor vehicles (aligned with 32002R1400);
- Decree on block exemption granted to agreements in the insurance sector (aligned with 32003R0358);
- Decree on agreements of minor importance (aligned with 52001XC1222(03) and
- Decree on the form and the content of the notification and criteria on concentrations' evaluation (aligned with 32004R0802 and 32004R0139).

Guidelines for application of the bylaws adopted on the basis of LPC were developed in the last quarter of 2006.

##### **INSTITUTIONAL FRAMEWORK**

Pursuant to the Article 6 of the Law on Protection of Competition (LPC), the Commission for Protection of Competition (CPC) is the authorised body for implementation of the Law. The Commission is an independent body, composed of a president and four members. The president and the members are appointed and dismissed by the Assembly of the Republic of Macedonia for a five-year mandate, with the right to be reappointed. The Commission reports to the Assembly of the Republic of Macedonia. The president and at least two members of the Commission are professionally engaged in the work of the Commission. The budget of the Commission is provided from the Budget of the Republic of Macedonia.

The managerial, expert and other administrative – technical activities are performed by the Department of Qualified Personnel of the Commission. In the Department of Qualified Personnel (in the field of antitrust) twelve (12) persons are employed. A Secretary-General manages the Expert Office, appointed by the Commission.

The Commission is authorised to supervise the application of the provisions of the law and the regulations adopted on the basis of the law; monitor and analyze the conditions on the market to the extent necessary for the development of free and efficient competition; conduct procedures and adopt decisions for issues regulated with the law; define market research methodology; lay down rules and measures for protection of competition; measures for elimination of obstruction, limitation and barrier of competition; provide opinions regarding draft laws and other legal acts regulating issues that refer to economic activity and which may affect the competition on the market; provide expert opinions on issues in the area of competition policy and protection of competition on the market at the request of the Assembly, the Government of the Republic of Macedonia, other state bodies, companies or ex officio; conduct activities which are result of the international duties of the Republic of Macedonia in the field of protection of competition, as well as other issues laid down in the law.

The strengthening of the institutional and personnel capacities of the Commission and the Expert Office is carried out in several on-going projects: Technical Assistance by GTZ; the CARDS Twinning project for adoption of the *acquis communautaire* in the field of competition and strengthening the administrative capacities of the body for protection of competition and the BERIS project for reforms of business surroundings and strengthening the institutions, financed by the World Bank.

The web-page of CPC was launched in June 2006. The decisions, notifications, opinions and other information on the activities of the Commission are posted on the web-page, and the decisions of the Commission and the decisions of the court are published in the Official Gazette of the Republic of Macedonia.

## **SHORT-TERM PRIORITIES**

### **LEGISLATION**

The following activities have been envisaged as short-term priorities in the field of legislation for protection of competition:

1. Enacting a Law Amending the Law on Protection of Competition which will regulate the authorisation of CPC to directly impose penalties and other sanctions for misdemeanours prescribed in the LPC and repeal the right to file a complaint and regulate the right to bring charges in front of the Administrative Court in accordance to the Law on Misdemeanours and the Law on Administrative Disputes;
2. Adopting Guidelines for application of the Law and the bylaws, adopted by the Commission on the proposal of its Expert Office;
3. Signing memoranda for inter-institutional cooperation in the field of protection of competition between the Commission on the one hand and regulatory bodies, state bodies, consumer associations, faculties and scientific-research institutes on the other.

### **INSTITUTIONS**

The following activities have been envisaged as short-term priorities for strengthening the institutional capacities in the field of legislation for protection of competition:

1. Employ 5 individuals with university degree at CPC by the end of 2007;
2. Conduct trainings for the members of the Commission and the employees in the CPC Expert Office for efficient enforcement of the Law on Protection of Competition
3. Publishing a brochure with the Law and the bylaws and
4. Move CPC in new premises.

## **MEDIUM-TERM PRIORITIES**

### **LEGISLATION**

The following activities have been envisaged as medium-term priorities in the field of legislation for protection of competition:

1. Further development of a credible enforcement record for implementation of the protection of competition;
2. Harmonisation of the Law on Protection of Competition with the EU regulations 31987R3976 and 32006R1459, which regulate block exemptions granted to agreements in the field of air traffic, and
3. Further harmonisation of the national legislation with the *acquis*.

### **INSTITUTIONS**

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

- Increase the number of employees in CPC in accordance with the needs for efficient enforcement of the Law on Protection of Competition;
- Conduct trainings for strengthening the personnel capacities of CPC for carrying out investigation procedures for protection of competition and other responsibilities stipulated in the Law;
- Strengthen the transparency of the activities of CPC, and
- Strengthening the awareness of the governmental institutions and the business sector for protection of competition through organising seminars, trainings, campaigns, conferences and other events.

## **FOREIGN ASSISTANCE**

The current foreign assistance in the field of protection of competition is being realised through the following projects:

1. The German Association for Technical Aid (GTZ) supports CPC through organising conferences, seminars and workshops, organising regional meetings, training of the employees in CPC with study trips in the German Competition Authority, study trips in the countries in transition, support for the improvement of the English language knowledge, financing the participation in international and regional meetings and seminars and publishing brochures with the Law on Protection of Competition and the bylaws;
2. EU Twinning project: "Approximation of the legislation in the competition policy and strengthening of the administrative capacity of the body for competition protection" Twinning partner of CPC is the German Direction for Competition. The project is implemented in the period between February 2006 and August 2007 and covers technical assistance through presence of a permanent expert from Germany in the CPC and of short-term experts from specific areas in order to improve knowledge, skills and best practices in the efficient protection of competition in the market, and
3. BERIS, Business environment reform and institutional strengthening project of the World Bank. The project is being realised in the period between 31.10.2005 and 31.03.2010 and covers operative support of the CPC activities for developing a monitoring system, expert aid in the development of the procedures and mechanisms for institutional communication between the Commission and the regulatory and other bodies, activities for promotion and affirmation of competition policy and transparency in the CPC work through establishing a separate phone line for consumers' complaints.

## 3.8.2 STATE AID

### 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 and 70/06), as well as the bylaws adopted on the basis of the Law:

- Decree on the forms and procedure of notification to the State Aid Commission (Official Gazette of the Republic of Macedonia No. 81/03);
- Decree on establishing conditions and procedure for granting aid for rescuing and restructuring of firms in difficulty (Official Gazette of the Republic of Macedonia No. 81/03) and
- Decree on Establishing Conditions and Procedure for Granting Regional Aid (Official Gazette of the Republic of Macedonia No. 81/03).

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

A manual for the state aid providers has been prepared in 2006.

#### INSTITUTIONAL FRAMEWORK

With the Law Amending the Law on State Aid (Official Gazette of the Republic of Macedonia No. 70/06), the responsibility for supervision and control of the state aid granted in the Republic of Macedonia was taken over by the Commission for Protection of Competition. Formerly, this responsibility was under the authorities of the State Aid Commission the institutional capacity of which was not in accordance to the needs for efficient enforcement of the Law on State Aid. The expert and technical activities of the State Aid Commission were performed by the State Aid Unit within the Ministry of Economy. With the entrance into force of the Law Amending the Law on State Aid, a Sector for control of the state aid was established within the Commission for Protection of Competition. The State Aid Commission and the Unit within the Ministry of Economy were abolished. The Sector for control of the state aid consists of 4 (four) employees with university degree, 3 (three) of whom are economists with a university degree and 1 (one) legal expert with a university degree. The Sector performs all the activities in the field of state aid stipulated by the Law.

With the purpose of building the institutional capacity of the state aid in the Republic of Macedonia, a number of activities were performed:

- A total number of five state aid seminars were organised concerning the drafting and the start of implementation of the state aid legislation, with technical assistance from GTZ;
- In the period September-November 2003, internship for one person was organised in the corresponding institutions for competition and state aid in the Baden-Wurttemberg province;
- In October 2003, GTZ organised a study trip for the State Aid Commission and the State Aid Unit of the State Aid Sector in the Republic of Slovenia;
- With technical assistance from GTZ, participation on a seminar for state aid was provided in November 2003 within the European Legal Academy in Trier;
- TAIEX seminars on state aid for the civil servants working on issues related to state aid were organised in October 2004 and in June 2006 within the TAIEX programme;
- A seminar on state aid was organised in Skopje in October 2005 by TAIEX, intended for the state aid providers;
- In January 2006, a series of seminars for state aid providers were organised by the ATL project from the CARDS programme 2004, and
- Within the BERIS project, financed by the World Bank, participation at the Summer School of the Athens University of Economy and Business for regulatory bodies and bodies for protection of competition in Corfu was organised for two individuals, as well as participation at the forum on state aid at the European Legal Academy in Trier.

In October 2006 Information regarding the state of play in the field of state aid in Republic of Macedonia was adopted on the session of the Government of the Republic of Macedonia and according to the resolutions adopted on the session contact-persons from the state aid providers were appointed. These contact persons are obliged to notify the CPC for the state aid granted. The CPC holds regular meetings with these contact persons.

### SHORT-TERM PRIORITIES

#### LEGISLATION

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

- Amendment of the Rules of procedure of the Government of the Republic of Macedonia with the aim of incorporating provisions according to which the state aid providers are obliged to previously notify the CPC for the planned state aid
- Drafting a bylaw – Decree on establishing conditions for granting state aid in specific areas. The Decree shall be aligned with the following EU measures: 52002XC0508(02); 31998Y0213(01); 32004R0364; 31997Y0710(01); 31996Y0217(01); 32002R2204; 32001Y0203(02); 32000Y0311(03) and 32001R0068. Technical assistance for drafting the Book of Rules has been provided within the CARDS 2004 project for Approximation of the Trade Legislation, and

- Amendments to the Decree on rescuing and restructuring of firms in difficulty. The Decree shall be harmonised with the EU measure 52004XC1001(01).

## 2.2 INSTITUTIONS

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

1. Employ 3 (three) individuals with university degree at the Sector for control of the state aid at CPC by the end of 2007;
2. Establishing a system for monitoring and evaluation of the current structure of the state aid;
3. Conduct trainings for the employees at CPC for efficient enforcement of the Law on State Aid, especially in the part regarding the part of investigative techniques and case handling, and
4. Training for the state aid providers.

## MEDIUM-TERM PRIORITIES

### LEGISLATION

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

1. Adopting a methodology for setting the level of compensation for companies entrusted with the performance of services of general economic interest;
2. Harmonisation of the industrial policies with the state aid regulations, and
3. Further harmonisation of the national legislation with acquis.

### INSTITUTIONS

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

- Employ 1 (one) person with university degree in the Sector for control of the state aid at CPC by the end of 2008;
- Conduct trainings for strengthening the personnel capacities of CPC for carrying out investigative procedures for granting state aid and other responsibilities stipulated in the Law;
- Improve the procedures for investigating state aid, and
- Strengthening the awareness of the governmental institutions and the business sector for the state aid through organising seminars, trainings, campaigns, conferences and other events.

## INSTITUTION BUILDING REQUIREMENTS

BUDGETARY BENEFICIARY/ INSTITUTION	INSTITUTION/ SECTOR	Current status 31.12.2006	2007	2008	2009	2010	Total
02005: Commission for Protection of Competition	CPC: Commission for Protection of Competition - Antitrust	16	3	3	3	2	11
	CPC: Commission for protection of competition/ Sector for State Aid Control	4	2	1	0	0	3
02005: Commission for Protection of Competition Total		20	5	4	3	2	14
<b>TOTAL</b>		<b>20</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>14</b>

## FOREIGN ASSISTANCE

BERIS, Business environment reform and institutional strengthening project of the World Bank. The project is being realised in the period between 31.10.2005 - 31.03.2010 and covers amendments of the Regulation on rescuing and restructuring, procurement of equipment for the new employees, seminars and trainings.

## **3.9 FINANCIAL SERVICES**

### **3.9.1 BANKING**

#### **CURRENT SITUATION**

The Banking system of the Republic of Macedonia (as of 30 September 2006) is comprised of 19 banks, out of which 18 are from universal character, and one is a specialised bank for export and development promotion, and 12 savings houses. Banks have dominant share (98.7%) in the total potential of the financial system. Regarding the ownership structure, the share of the state-owned banks is below 5% in the total capital of the banking system, while foreign capital is present in 16 banks. In eight of these banks, foreign owners represent the shareholding majority. As of 30 September 2006, the share of these banks in the total capital is 50,1 %, i.e. 52,5 % in the total assets in the banking sector. Four out of these eight banks are subsidiaries of foreign banks. Only the specialised bank for export and development promotion is fully state owned. It participates with 1.4% in the total assets and with 4.8% in the total capital of the banks in the Republic of Macedonia.

#### **LEGAL FRAMEWORK**

The Law on Banks (Official Gazette of the Republic of Macedonia No. 63/00, 37/02, 51/03 and 85/03) regulates the founding of banks in the Republic of Macedonia, the necessary level of capital required for conducting financial activities, defines the financial activities which the banks may perform depending on the level of capital, determines the supervisory standards and limits the banks are obliged to adhere to in the course of their operations, defines the bank's bodies and bank management, provides the basic accounting and auditing principles, determines the main elements of the supervision of banks' operations and the consolidated supervision over a banking group conducted by the National Bank of the Republic of Macedonia, defines the measures which could be undertaken to improve the condition in the banks, and defines the activities in the case of bankruptcy and liquidation of a bank. Pursuant to this Law, the National Bank adopted adequate bylaws, which regulate in more details the obligations and requirements defined in the Law. The supervision-related decisions incorporate the contemporary Basel principles and practices for prudential operations of banks, and they regulate the main supervisory standards. Also, legal grounds have been provided for the functioning of a Credit Registry in the National Bank of the Republic of Macedonia, which contains information on the banks' credit exposure towards individual clients. At the same time, the National Bank has prescribed standards for security of the banks' information systems.

Pursuant to the Law on Banks, a bank may be established by domestic and foreign legal entities and natural persons. A foreign bank may establish a subsidiary in the Republic of Macedonia. Subsidiaries are legal entities registered in the Republic of Macedonia in which another entity or a group of individuals work together and hold 50% or more of the voting stocks or have common interest. Regarding the establishment of a subsidiary of a foreign bank, there are no limitations in terms of the rights to establishment and providing services. Even more, the subsidiary can also be fully (100%) owned by a foreign banking group. Thereby, the subsidiary has the features of a corporate entity in the Republic of Macedonia and, together with its subordinate entities, is supervised by the national supervisory authority – NBRM. The supervision on a consolidated basis over a foreign banking group is a right of the supervisory authorities from the country of the parent entity.

In line with the obligations undertaken with the accession of the Republic of Macedonia to the World Trade Organisation, it was envisaged the provision of banking services through branches of foreign banks to be permitted as of 1 January 2008. According to the programme of the Government of the Republic of Macedonia, the new Law on Banks, that shall be submitted to the Assembly in the beginning of the second quarter of 2007, adequate provisions are incorporated that liberalise the provision of banking services through branches of foreign banks in the Republic of Macedonia, including the banks from the EU.

Insurance of deposits is performed by the Deposits Insurance Fund, which is state owned. The denar and foreign currency deposits are insured in the Fund, as well as current accounts of natural persons, the deposits connected to payment cards and foreign currency inflows of natural persons. The Fund also indemnifies the natural persons up to: (1) 100% of the deposit in a bank in the amount of EUR 10,000 in counter value in denars and (2) 90% of the deposit of each natural person in a bank in the amount of EUR 10,000 to EUR 20,000 in counter value in denars, but not exceeding EUR 20,000 in counter value in denars.

In January 2006, the National Bank adopted the Risk-Based Supervision Plan. In the course of the first quarter in 2006, a consultant was selected (engaged and financed by IMF), who assists the National Bank in the process of transition towards risk-based supervision. In the course of the first quarter in 2006, all necessary organisational and technical preparations were carried out pertaining to the preparation of the Supervision Directorate to commence the activities for transition towards risk-based supervision. The implementation of the Plan commenced in May 2006, and the objective of these reforms is full transition towards risk-based supervision by the end of 2009. In the period up to 2009, preparations are to be made for application of the New Basel Capital Accord (Basel II).

Within the Business Environment Reform and Institutional Strengthening Project (BERIS), which refers to improving the access to information in the Republic of Macedonia, the component Promotion of the existing Credit Registry in the National Bank is realised, in line with the international practice and standards. In the course of 2006, report forms from the existing Credit Registry in the National Bank were improved. In addition, agreement was signed with the Central Register of the Republic of Macedonia to use part of the data from the Central Register within the Credit Registry, exclusively for internal needs of the National Bank. According to the Agreement, first data should be submitted to the National Bank at the beginning of 2007. Thereby, one should not exclude the possibility to establish private credit registries to work on a commercial basis.

In December 2006, regulation on inclusion of the market risk when determining the banks' capital adequacy was prepared, which was published in the Official Gazette of the Republic of Macedonia on 16 January 2007. With the adoption of this regulation, harmonisation with the Basel Principle 12 was ensured.

## **INSTITUTIONAL FRAMEWORK**

Competent body for adoption of legal regulations in the area of banking is the Ministry of Finance, i.e. the Unit for Banking System within the Sector for Financial System. This unit employs four persons.

The National Bank of the Republic of Macedonia is the competent institution for implementation of the Law on Banks, as well as for adoption of the bylaws arising from the Law. The National Bank issues licences and carries out supervision of the banks, savings houses, exchange offices and providers of fast money transfer.

## **SHORT-TERM PRIORITIES**

With the view of further harmonisation of the national legislation with the Directives 32006L0048 and 32001L0024, the text of the new Law on Banks shall be submitted to the Assembly of the Republic of Macedonia in the second quarter of 2007, with which:

- the market will be liberalised, thus enabling the foreign banks, including the banks from the European Union, to provide services in the Republic of Macedonia through the branches;
- definitions on connected entities, control and subsidiaries will be fully harmonised with the definitions in the European legislation;
- capital requirement necessary for establishment and operations of a bank will be increased from the existing EUR 3.5 million to EUR 5 million;
- criterion will be introduced on revoking the license for founding and operations of a bank in case of failing to perform banking operations longer than 6 months, compared to the previous 12 months;
- criteria on bank's shareholder will be strengthened (prior consent for acquiring qualifying holding in a bank, with a possibility for NBRM to revoke previously issued consent, possibility for NBRM to sell the stocks of the shareholder who does not meet the shareholder criteria or who acquired qualifying holding without prior consent by the National Bank);
- corporate governance of banks will be strengthen by strengthening the role and the responsibilities of the management bodies, internal control systems, the role of the external auditor, increasing the transparency in performing financial activities, strengthening the accounting standards, etc.;
- efficiency in the procedure for exit (bankruptcy and liquidation) of a bank from the banking system will be strengthened and
- types of risks to which banks are exposed will be identified, market discipline of the banks will be strengthened, risk management will be connected with the type and scope of activities of the bank, resulting in approximation to the New Basel Capital Accord.

By the end of 2007, Law for institutions issuing means of payment in the form of e-money shall be adopted. The Law shall be harmonised with the Directive 32000L0046

In the course of 2007, the need for legislation on credit registries will be analysed and considered, and respective regulation will be adopted to the end of reducing the time necessary to process the requests for awarding credits, creating conditions to reduce the interest rates of the banks;

By the end of 2007, the founding and operations of financial companies will be regulated, which perform activities related to factoring, crediting, guaranteeing and other types of financial activities;

To the end of improving the accounting records at the banks and achieving harmonisation and applying the international standards in the field of accounting, the following documents will be prepared by the end of April 2007:

- unified chart of accounts for the banks to be harmonised with the IFRS;
- adequate accounting policies and rules on recording and
- format of financial reporting.

With the aim of further improvement of the Credit Registry in the National Bank, existing bylaws will be amended in mid 2007, so as to reduce the limit of the credit exposure the banks report at the Credit Registry, increase the frequency of data submission (monthly instead of quarterly) etc. Such expansion of the Credit Registry is directly related to the activities related to the



realisation of the obligations under the BERIS Project (procurement of new hardware and software), the deadline for which is December 2007.

Regarding the implementation of the Risk-Based Supervision Plan (which is actually a medium-term activity to be realised in the upcoming 3-year period) on short-term, i.e. by the end of 2007, supervisory framework and supervisory procedures will be finalised, they will be tested in at least two banks, and afterwards they will be finally adopted.

### **MEDIUM-TERM PRIORITIES**

In furtherance of the short-term priorities that shall be realised in the course of 2007, the following activities represent the medium-term priorities to be implemented for the purpose of harmonisation with the EU Directives in the area of banking:

- Defining the range of financial conglomerates and their supervision. This activity will be realised by the end of 2008, thus attaining harmonisation with the EU Directive 32002L0087;
- Inclusion of deposits of legal entities in the Deposits Insurance Fund, thus fully implementing the Directive 31994L0019. Therefore, by the end of 2009, Law on Deposits Insurance Fund will be amended;
- Implementation of the New Basel Capital Accord. Preparatory activities regarding the implementation of Basel II are in progress. The nature and complexity of this project imposes the need to undertake comprehensive activities in a longer time period, which also include permanent training of the banking supervisors and of the banks. Adequate implementation is expected in several years, but not earlier than 2010.
- Further realisation and implementation of the Risk-Based Supervision Plan by the end of 2009 and
- Enhancing the transparency and market discipline of the banks, i.e. adequate application of the third pillar of the New Basel Capital Accord. Starting from the beginning of 2008, the banks will be obliged to publish a standardised set of financial indicators from their operations on a quarterly basis.

## **3.9.2 INSURANCE AND PENSION INSURANCE**

### **CURRENT SITUATION**

The insurance market in the Republic of Macedonia comprises of 10 insurance companies and 5 insurance brokerage companies. One of the insurance companies performs life insurance activities, while the others perform non-life insurance activities. Insurance brokerage companies perform insurance brokerage activities within all classes of insurance. The procedure for licensing a foreign life – insurance companies is expected to be finalised (request has been submitted to the Ministry of Finance for acquiring a working licence to perform insurance activity), which is expected to upgrade the professional standards of operations and diversity, as well as the quality of the insurance products in the field of life insurance in Macedonia. Total calculated gross premium in the first three quarters in 2006 amounts 4.095 million denars, i.e. it grew by 6.89% compared to the same period last year. The calculated gross premium in the third quarter alone amounted 1.568 million denars, and it grew by 26.4% compared to the average realised gross premium in the first two quarters in 2006. Should the trend of growth of gross written premium continue in the fourth quarter according to the average realised one in the first three quarters, total gross written premium in 2006 will grow by approximately 5.7% in relation to the realised in 2005. 97.4 million denars, i.e. 2.38%, out of the total calculated gross premium in the first three quarters in 2006 refers to life insurance, being an increase by 26.34% in relation to the same period in 2005.

The share of foreign capital in the total equity of the insurance companies amounted to 62.5% at the end of the third quarter in 2006, while the share of foreign capital in four insurance companies was 100%. Regarding the ownership structure in the insurance companies, at the end of 2005, private capital participated with 91.45%, having the dominant share, whereby the financial institutions participated with 57.3% and other legal and natural persons accounted for 34.15%.

The insurance market in general is characterised with relatively high market concentration at the end of the third quarter in 2006, i.e. the share of gross premium of the two largest insurance companies in the total gross premium amounted to 51.7% at national level during the reporting period. However, it is a drop by 6.6% in relation to the level of market concentration on the insurance market at the end of 2005.

In 2000, foundations for the overall pension system were laid in the Republic of Macedonia as a three-pillar pension system, which is part of the social insurance. 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 is a mandatory fully funded pension insurance. Two pension fund management companies operate within its frames, which administer one pension fund each. The companies were established in 2005 and they obtained licences to manage the pension fund for a period of 10 years. The National Bank of the Republic of Macedonia is the custodian bank of the resources of the pension funds in the first five years of the functioning of the second pillar. First payments in the private pension funds were made in January 2006. Two pension fund management companies are with mixed founding capital, domestic and foreign, the share of foreign capital being 51%. The third pillar will be voluntary fully funded pension insurance.

The pensions from the first pillar are in a form of defined pensions. The pensions from the second pillar are in a form of defined contributions and will be paid as continual annuities by an institution authorised for that purpose, or as programmed withdrawals from the Pension Fund, by choice of the member.

## LEGAL FRAMEWORK

The basic legal framework that regulates the terms and conditions and the manner of conducting insurance and re-insurance activities, supervision of the operations of the insurance companies and insurance brokerage companies, the manner and terms and conditions for performing intermediation activities in the insurance are the Law on Supervision of Insurance (Official Gazette of the Republic of Macedonia No. 27/02, 84/02, 98/02 and 33/04), Law on Mandatory Transport Insurance (Official Gazette of the Republic of Macedonia No. 88/05), Law on Obligations in the part pertaining to insurance contracts (Official Gazette of the Republic of Macedonia No. 18/01, 4/02 and 5/03) and Company Law (Official Gazette of the Republic of Macedonia No. 28/04).

The **Law on Supervision of Insurance** incorporates the insurance principles and standards of the International Association of Insurance Supervisors (IAIS), as well as the EU Directives on insurance. By adopting the Law, national legislation has been harmonised to a great extent with the EU acquis. The Law is aimed at establishing strict rules for risk management. The insurance company may be founded only as a joint stock company with a head office in the Republic of Macedonia. The establishment of an insurance company requires a license issued by the Ministry of Finance that can be related to one or more classes of insurance exclusively within one of the groups of insurance that is non-life insurance and life insurance. An insurance company can be founded under equal terms and conditions by both domestic and foreign natural persons and legal entities. In line with the assumed obligations arising from the accession of the Republic of Macedonia to the World Trade Organisation, branches of foreign insurance company can perform insurance-related activities on the territory of the Republic of Macedonia by 1 January 2008 at the latest, under terms and conditions defined in the Law on Supervision of Insurance.

Mandatory transport insurance is regulated by the **Law on Mandatory Transport Insurance** (Official Gazette of the Republic of Macedonia No. 88/05 and 70/2006), which envisages greater protection of the interests of the damaged persons in traffic accidents by increasing the insurance amounts and their gradual (according to prior defined stages by law) harmonisation with the insurance amounts adopted with the EU acquis, regulation of the deadlines for reporting and damage compensation by the insurance companies, determination of the right to mediation, strict regulation of the competences of the Guarantee Fund, change in the manner of determining the premium tariffs by establishing of a Commission for Automobile Liability Insurance, as well as facilitation of the cross-border provision of insurance services by establishing a so-called claims representative, and establishment of a Service for Compensation of Damages (the last two solutions will become effective the moment Republic of Macedonia becomes member of the European Union). The Commission for Automobile Liability Insurance was established on 19 December 2005, and it prepared a new premium tariff for automobile liability insurance in May 2006 within the III stage of the Project for Reform in Mandatory Transport Insurance, financed by FIRST Initiative, and covering the implementation of the Law on Mandatory Transport Insurance. In October 2006, the Commission, pursuant to the authorisations awarded to it referred to in Article 45 of the Law on Mandatory Transport Insurance, prepared and submitted Criteria on Non-Material Claims Caused by Motor Vehicles. By the end of 2006, the Commission should monitor the implementation, as well as the initial effects from the application of the set criteria.

The pension system in the Republic of Macedonia is regulated by the Law on Pension and Disability Insurance (Official Gazette of the Republic of Macedonia No. 80/93, 3/94, 14/95, 32/96, 24/00, 96/00, 5/01, 50/01, 85/03, 40/04, 4/05 and 101/05), Law on Mandatory Fully Funded Pension Insurance (Official Gazette of the Republic of Macedonia No. 29/02, 85/03, 40/04 and 113/05) and bylaws further regulating the respective area. The Law on Pension and Disability Insurance regulates the structure of the three-pillar pension system.

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

## INSTITUTIONAL FRAMEWORK

Competent body for adoption of the legal regulations in the area of insurance and conducting supervision over the operations of the insurance companies and insurance brokerage companies in the Republic of Macedonia is the Ministry of Finance, within which the following two units are responsible for the insurance system: Unit for Insurance System (2 employees) within the Sector for Financial System, 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) within the Sector for Affairs Immediately Related to the Minister, in charge of conducting on-site and off-site supervision over the operations of the insurance companies and insurance brokerage companies.

Regarding the pension insurance, institutions competent to adopt laws and bylaws are the Ministry of Labour and Social Policy, the Pension and Disability Insurance Fund of the Republic of Macedonia and the Agency for Supervision of Fully Funded Pension Insurance. The Ministry of Labour and Social Policy is the creator of the pension policy, the Pension and Disability Insurance Fund carries out pension and disability insurance, including the contribution collection for both pillars and their distribution between the first and the second pillar, while the Agency for Supervision of Fully Funded Pension Insurance supervises the operations of the pension fund management companies and the Pension Funds, as well as protects the interests of the members.

### **SHORT-TERM PRIORITIES**

For the purpose of further harmonisation with the EU legislation and adoption of the European insurance principles and standards, especially in the area of strengthening the independence of the supervisory body, enhancing the fit and proper requirements in relation to the management bodies and the shareholders in the insurance companies, regulation of the insurance representation activities, as well as further strengthening of the preventive and corrective supervision measures, in December 2006, the Ministry of Finance prepared a Draft Law Amending the Law on Supervision of Insurance, to be adopted by the Assembly in the second quarter of 2007. Basis for preparation of the amendments to the Law will be the detailed analysis of the level of harmonisation of the insurance legal framework with the relevant EU Directives and the principles and standards of the International Association of Insurance Supervisors, prepared within the project for Technical assistance to the Ministry of Finance in the area of the insurance regulation, financed by the European Agency for Reconstruction.

In the course of 2007, pursuant to the provisions in the Law Amending the Law on Supervision of Insurance, competences for carrying out supervision over the operations of the entities on the insurance market will be fully transferred to the newly established Agency for Insurance Supervision, as an independent institution for insurance supervision with public authorisations awarded to it pursuant to law, the principles and standards of the International Association of Insurance Supervisors (IAIS). The Agency will have adequate organisational setup, authority, legal protection and financial resources to enable it to perform the functions in an independent and accountable manner. It is planned for the Agency to start its operations in September 2007.

In the course of 2007, approximately 15 bylaws arising from the Law on Supervision of Insurance will be adopted, which will more precisely regulate certain issues related to the operations of the insurance companies, such as the manner of setting technical reserves aside, investing funds that cover the technical reserves, the manner of determining the capital and the necessary level of solvency margin, calculating the liquidity ratio, detailed contents of the annual report of the insurance companies, detailed contents of the audit report, new chart of accounts and balance sheets for the insurance companies, etc. The adoption of the above-mentioned bylaws will lead to supplementing the regulations and their further harmonisation in particular with Directive 91/674/EEC which refers to the consolidated financial reports of the insurance companies, as well as the Third generation Directives on non-life insurance and life insurance in the area of detailed regulating of the necessary level of solvency margin and the capital of the insurance companies, monitoring the liquidity and other measures pertaining to risk management.

### **MEDIUM-TERM PRIORITIES**

On the medium run, the Ministry of Finance plans to further harmonise the national insurance regulations with the EU acquis, in particular the implementation of the provisions that pertain to co-insurance, e-commerce, financial conglomerates and other rules to be in force in the European Union. The legal framework in the field of insurance will be also additionally regulated by fully transposing the following EU Directives: Directive 78/433/EEC - co-insurance; Directive 84/641/EEC - tourist assistance; Directive 87/343/EEC - credit insurance; Directive 87/344/EEC - legal expenses insurance; Directive 91/674/EEC - consolidated accounts; Directive 98/78/EEC - supplementary supervision of insurance undertakings in an insurance group; Directive 2001/17/EEC - reorganisation and winding up of insurance companies; Directive 32002L0013 - solvency margin requirements; Directive 2002/13/EEC - financial conglomerates; Directive 2002/92/EEC - insurance mediators.

Regarding the mandatory insurance in traffic, on the medium run, harmonisation is envisaged with the Vth EU Directive (V Motor Directive) on automobile liability insurance.

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

On the medium run, priority in the field of pension insurance is continuation of the commenced reforms, mainly by completing the legal framework by adopting the Law on Voluntary Fully Funded Pension Insurance and the Law on Payment of Pensions. The envisaged deadline for adoption of the two laws is 2008, whereby the Ministry of Labour and Social Policy, as it has been the case so far, is the creator of the pension policy, while the Agency for Supervision of Fully Funded Pension Insurance supervises the fully funded pension insurance and the payment of pensions on the basis of fully funded pension insurance. In addition, regarding the Law on Payment of Pensions, from the point of view of the mandatory fully funded pension insurance, it is envisaged for the programmed withdrawals to be made directly from the Pension Funds, and the annuities to be paid by a special institution authorised for this purpose. The laws will also regulate the other competent institutions. The short-term and medium-term priorities regarding these issues are described in more details in Chapter 02 - Freedom of movement of persons, sub-title 3.2.4. - Coordination of the system of social security.

## STRENGTHENING THE INSTITUTIONAL CAPACITIES

Envisaged institutions (establishment of new ones, equipping and training) for the period 2007-2010

Agency for Insurance Supervision Total number of employees is planned to be 20 persons, and it will be completed by 2010 as follows:

BUDGETARY BENEFICIARY/ INSTITUTION	INSTITUTION/ SECTOR	Current status 31.12.2006	2007	2008	2009	2010	Total
09001: Ministry of Finance	MF: Sector for Financial System	15	1	1	1	1	4
	NEW: Agency for Supervision of Insurance	0	3	3	3	4	13
09001: Ministry of Finance Total		15	4	4	4	5	17
MSEC: Macedonian Securities and Exchange Commission	MSEC: Securities and Exchange Commission	16	4	3	3	3	13
MSEC: Macedonian Securities and Exchange Commission Total		16	4	3	3	3	13
<b>TOTAL</b>		<b>31</b>	<b>8</b>	<b>7</b>	<b>7</b>	<b>8</b>	<b>30</b>

## 3.9.3 CAPITAL MARKET

### CURRENT SITUATION

Trading with securities on the capital market in the Republic of Macedonia is performed through the Macedonian Securities Stock Exchange, established in 1995. There are 17 licensed participants on the capital market in the Republic of Macedonia, 11 out of which are brokerage houses, 6 are banks, which have special head offices to deal with long-term securities. The share of foreign capital in the equity capital of 11 brokerage houses accounts for 5.32%.

### LEGAL FRAMEWORK

The legal framework that regulates the capital market comprises the following: Law on Securities (Official Gazette of the Republic of Macedonia No. 95/05), as a basic law regulating the securities and the Law on Investment Funds (Official Gazette of the Republic of Macedonia No. 9/2000).

The Law on Securities facilitates the possibility for the foreign brokerage houses to have branch offices in the Republic of Macedonia and regulates a more organised system for establishment of branch offices in the country by the Macedonian brokerage companies; it envisages more detailed guidelines for keeping records and keeping the order book by the brokerage companies; it introduces provisions for founding and operations of companies for investment advising and investment advisors; it precisely defines the obligations pertaining to disclosure of data of the joint stock companies registered in the Register of the Securities and Exchange Commission as joint stock companies with special reporting obligations, and it includes completely new obligations for reporting to the employees, members of their management bodies, directors and individual shareholders; every single shareholder owning more than 5% of the securities of the company with special obligations for reporting must disclose to the Securities and Exchange Commission all the transactions and non-trade transfers of that company with special obligations for reporting. Pursuant to the Law on Securities, a brokerage house can be established by domestic or foreign natural persons or legal entities. A foreign brokerage house, licensed to render all or some of the services with securities in any of the member states of the Organisation for Economic Cooperation and Development, may provide the same services on the territory of the Republic of Macedonia through its own subsidiary that has obtained a working license from the Commission. The following EU Directives were transposed with the Law: 32004L0039 - 31993L0006 - 32003L0071 – 32001L0034 and 32003L0006.

The legal framework for regulation of the field of operations of the investment funds comprises the Law on Investment Funds (Official Gazette of the Republic of Macedonia No. 9/2000) and the bylaws arising from this Law. Pursuant to the Law on Investment Funds, the investment funds are established in order to pool funds for investment purposes, raised by the investors through a public announcement, managed on behalf of the investors by an investment fund management company. The Law envisages two types of investment funds: open-ended funds and closed-ended fund. The investment fund management company is established upon obtaining an approval for commencement of its activities by the Commission. One company can manage several funds. Directives 31985L0611 and 31993L0022 are implemented with the Law. This Directive is replaced by the Directive 32004L0039.

There is no investment fund functioning in the Republic of Macedonia yet. However, the development of the capital market in the previous years and the appearance of new securities on the capital market, issuance of treasury bills which started in January 2004 and the start-up of the two pension funds in October 2005 are expected to contribute to increasing in the interest in establishing investment funds in the Republic of Macedonia. In line with the assumed obligations arising from the accession of the Republic of Macedonia to the World Trade Organisation, foreign investment fund management companies will be permitted to provide services in the Republic of Macedonia starting from 1 January 2008.

## **INSTITUTIONAL FRAMEWORK**

Competent body for preparation of the legal regulations in the field of capital market in the Republic of Macedonia, in particular the Law on Securities and the Law on Investment Funds is the Ministry of Finance, in cooperation with the Securities and Exchange Commission. The Securities and Exchange Commission adopts the bylaws arising from the Law on Securities and the Law on Investment Funds.

There is a Unit for Capital Market within the Sector for Financial System within the Ministry of Finance, employing 2 persons, in charge of preparing the regulation in the field of capital market, undertaking the necessary activities for timely adoption of the laws under the competence of the Unit for Capital Market.

The Securities and Exchange Commission regulates and controls all the participants in the operations with securities on the territory of the Republic of Macedonia, and within its legal competencies and authorisations, it is responsible for legitimate and efficient functioning of the long-term securities market and for protection of the investors' rights, so as to continuously strengthen the confidence of the public in the institutions on the long-term securities market in the Republic of Macedonia. Pursuant to the Law on Securities, the Securities and Exchange Commission operates as an autonomous and independent regulatory body, having public authorisations stipulated by law. Internationally, so far the Securities and Exchange Commission has signed 8 bilateral Memoranda of Cooperation with the respective regulatory bodies of Slovenia, Albania, Federation of Bosnia and Herzegovina, Bulgaria, Montenegro, Croatia, Turkey and Romania. At national level, the Commission has also concluded memorandum of Cooperation and Exchange of Information with the National Bank of the Republic of Macedonia (NBRM) and the Agency for Supervision of Fully Funded Pension Insurance (ASFFPI). The Securities and Exchange Commission is a member of the International Organisation of Securities Commissions (IOSCO). In the course of 2006, the Securities and Exchange Commission, pursuant to the Law on Securities, adopted 58 rulebooks. Five rulebooks out of the envisaged bylaws arising from the Law on Securities are in the procedure of adoption.

## **SHORT-TERM PRIORITIES**

To the end of improving the legal framework governing the operations of the investment funds in the Republic of Macedonia, and implementing part of the European Directives in this field, the Ministry of Finance plans to adopt a new Law on Investment Funds by the second quarter in 2007, which would incorporate the following directives:

- 31985L0611 - Directive on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS),
- 32001L0107 - Directive amending Directive 31986L0611 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) with a view to regulating management companies and simplified prospectuses, and
- 32001L0108 - Directive amending Directive 31985L0611 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS), with regard to investments of UCITS.

In 2007/I, the Securities and Exchange Commission will prepare a Strategy for Strengthening the Role and the Functions of the Securities and Exchange Commission pertaining to the capital market control. Areas and participants in the capital market should be identified in the Strategy, for which there is a great possibility to be a source of violation of the rules regarding the operations with securities and frauds. After identifying the areas with highest risk, the Securities and Exchange Commission will be able to more efficiently allocate its resources, thus focusing on the most risky problems and entities.

## **MEDIUM-TERM PRIORITIES**

On medium term, the Ministry of Finance plans to further harmonise the regulations governing the capital market with the EU Directives, and their implementation by the participants in the capital market in the Republic of Macedonia.

Medium term priority is harmonisation of the Directive for financial collateral 2004/47/EEC.

## 3.10 INFORMATION SOCIETY AND MEDIA

### 3.10.1 TELECOMMUNICATIONS AND INFORMATION TECHNOLOGY

#### CURRENT SITUATION

##### LEGAL FRAMEWORK

The Law on Electronic Communications (Official Gazette of the Republic of Macedonia No. 13/05) lays down the conditions and manner of carrying out operation in the field of electronic communications, it creates conditions for complete liberalisation within the electronic communications, especially in relation to infrastructure building, then it enables access and interconnection to public communication networks of other operators and providers of public communication services and provides a simpler procedure for the commencement of communication activities. The Law incorporates all the relevant EU measures.

Additional improvement of the legislative framework regulating this area was achieved by 35 bylaws deriving from the Law on Electronic Communications (Official Gazette of the Republic of Macedonia No. 13/05) adopted by 31.12.2006 which directly affect the telecommunications market liberalisation and introduction of competition.

**The Amendments to the Law on Electronic Communications are in parliamentary procedure** that shall ensure alignment in relation to the possibility to obtain a realistic view of the financial operations of the regulator in the previous period, on the basis of the audit report prepared by an outside independent auditor. The Amendments to the Law that are proposed shall supplement and make more precise the provisions regulating issues related to the conditions for dismissal of the president and of the members of the commission, as well as the conditions for election, i.e. appointment of the Director of the Agency.

#### STRATEGIC DOCUMENTS

##### **Interim Strategy for Universal Service (Official Gazette of the Republic of Macedonia No. 72/2006)**

The Interim Strategy for Universal Service (valid up to March 2007) provides for identification of the needs of the population by means of setting the priorities in terms of providing universal service, as well as providing a set of measures to be conducted by the Agency for Electronic Communications in a period of two years after the enactment of the Law on Electronic Communications, with the objective of stimulating the provision of this service without subsidies.

#### INSTITUTIONAL FRAMEWORK

**The Ministry of Transport and Communications and the Agency for Electronic Communications** are the institutions competent for the implementation of the operations related to electronic communication.

**The Ministry of Transport and Communications** is the competent state body responsible for creation and implementation of the electronic communications policy and drafting of the legal regulations, in cooperation with the Agency for Electronic Communications. Pursuant to the Law on Electronic Communications, the Ministry of Transport and Communications performs the duties related to the development of electronic communications and information technologies, the creation and development of the information society, and coordinates and harmonises the issues in the field of electronic communications and information society. The Ministry promotes competition development in the field of electronic communication and information society and enhances the availability and use of electronic communications and information technologies.

**The Agency for Electronic Communications**, in operation since 1 July 2005, is an independent regulatory body and the legal successor of the Telecommunications Directorate. The Agency for Electronic Communications is competent for: providing the users, including end-users with special needs, with a possibility to make use of the advantages in terms of choice, price and quality of the access to electronic communications; protecting against violation or limitation of the competition in the field of electronic communications; stimulating efficient investments in infrastructure building and supporting innovations; promoting efficient use of radio frequencies and numerical space as limited natural resource and ensuring non-discrimination in similar circumstances, regarding treatment of electronic communication network operators and electronic communication service providers.

#### LIBERALISATION OF ELECTRONIC COMMUNICATIONS IN THE REPUBLIC OF MACEDONIA

**In December 2006 the Agency for Electronic Communications passed a decision ordering JSC Macedonian Telecommunications to make changes to the Reference Interconnection Offer, in particular Annex: 8B- Fees.** The change made leads to significant reduction in interconnection prices thus creating conditions for introducing efficient competition in the electronic communications market in the Republic of Macedonia, especially in the fixed telephone service market, which will contribute to enhancing the benefits for the users. The Agency for Electronic Communications has determined the amount of fees for interconnection on the basis of the Methodology for calculating the weighted average cost of capital WACC, as well as on the basis of the performed comparative analysis of the electronic communications markets in European states similar to the electronic communications market in the Republic of Macedonia.

**The Agency for Telecommunications has started a procedure for introduction of a forth mobile operator in the Republic of Macedonia.**

**The third mobile operator in Republic of Macedonia has already been selected.**

The new mobile operator in the Republic of Macedonia should be selected at the beginning of 2007.

**On 18 October 2006 the Government of the Republic of Macedonia passed a Decision for allocation of shares it owns in JSC Macedonian Telecommunications to the employees in the firm.**

**The sales of packages of shares owned by the Government of the Republic of Macedonia in JSC Macedonian Telecommunications continues.**

The Government of the Republic of Macedonia, after the previous sale of 9.9% shares performed in the middle of 2006, continues the trend of sales of shares.

**The process for allocation of radio frequencies of WiMax scope has started, and thus greater liberalisation and entry of a large number of alternative operations in the Republic of Macedonia is expected.**

**Relevant measures are being undertaken by the Agency for Electronic Communications and The Ministry of transport and Communications for bringing of the work of the current operators in line with the Law on Electronic Communications.**

## **SHORT-TERM PRIORITIES**

### **LEGAL FRAMEWORK**

**Enactment of a document on the strategic goals of the Agency for Electronic Communications according to the competences set out in the Law on Electronic Communications.**

The document shall be prepared by the Agency for Electronic Communications in cooperation with the technical assistance – TATS provided by the European Agency for Reconstruction.

**Adoption of the amendments to the Law on Electronic Communications** submitted to the Assembly of the Republic of Macedonia in 2006.

**Adoption of a Decree on determining measures for providing public communication services in case of war, emergency or natural disaster that ought to be included in the operators' plans on measures.** The Decree will define the obligation of the operators of public communication networks and public communication services to design and adopt a Plan on Measures aiming to provide integrity for the public communication network and access to public communication services in case of a network failure, war, emergency or natural disaster.

**Adoption of a Decision on determining the groups of users with the right to priority network connection points, during war, emergency or natural disaster**

### **Convergence of the existing regulatory bodies for electronic communications and radio broadcasting activity**

Taking into consideration the new trends in the information and communication technologies, especially in the creation of an information society in the Republic of Macedonia, the convergence that is gaining impetus among the electronic technological platforms and electronic media creates an immediate need for convergence among the regulatory bodies responsible for the technological platforms and the regulatory bodies responsible for regulating the electronic media.

The Government of the Republic of Macedonia shall submit to the Assembly of the Republic of Macedonia two new texts of the Law on Electronic Communications and the Law on Broadcasting Activity by which, inter alia, it will provide the possibility for convergence of the existing regulatory bodies for electronic communications and broadcasting (Agency for Electronic Communications and the Broadcasting Council) in a new regulatory body – Agency for Electronic Communications, Broadcasting and Postal Services.

The convergence of the regulatory bodies will enable full operation of the one-stop-shop system for issuing permits/approvals promoted by the European Commission that shall reduce the existing bureaucratic model. At the same time, the planning and issuing of radio frequencies will be done by one joint specialised service and thus overcome the existing lack of coordination among the regulators. The convergence of the regulatory bodies will also overcome the lack of coordination in their work regarding the closure of illegal broadcasters, where the ban to broadcast and the confiscation of the equipment will be performed by the new regulatory body in a transparent and efficient manner, and the problems that exist with the cable operators regarding

the issue of approvals, registration of programme packages, technical standards and so on would be overcome. The correct and efficient implementation of the legal provisions will be provided through the establishment of one – joint specialised service that would be able to perform its tasks better and more efficiently and would avoid the duplication of certain occupations (guards, secretaries, drivers and so on) that would lead to an adequate rationalisation of the personnel.

## **STRATEGIC DOCUMENTS**

### **Adoption of a National Strategy on Development of Electronic Communications and Information Technologies**

The National Strategy on Development of Electronic Communications and Information Technologies will determine the strategic directions, activities and objectives to create an ambience of support to the digital convergence of info-communications technologies and electronic media in the Republic of Macedonia, as a precondition to the development of the information society.

## **INSTITUTIONAL FRAMEWORK**

### **Staffing of the Sector for Communications within the Ministry of Transport and Communications**

In the Sector for Communications Sector – Unit for Telecommunications and Information Technologies, in accordance with the act on systematisation of 2006, a total of 5 highly qualified expert persons have been foreseen, while the total number of such personnel, within the Sector for Communications, as foreseen by the same act, is 15.

In the course of 2007 two experts will be employed in the Sector for Communications.

**Strengthening the capacity of the Agency for Electronic Communications-** will take place through the EU project, and at the same time an analysis will be conducted of the existing personnel. For that purpose a new Rulebook on internal organisation of the specialised service of the Agency and a new Rulebook on systematisation of activities and assignments will be adopted and appropriate activities will be undertaken for reorganisation and further staffing of the Agency for Electronic Communications. Currently, the Agency for Electronic Communication employs 95 persons, whereas the projected optimum number of employees to be around 80.

**Improving the efficiency in the appeal procedure-** Regarding the appealing procedure efficiency, it is provided by the provisions of the Law on Electronic Communications which stipulate that the decisions of the Director of the Agency for Electronic Communications can be appealed to the Commission of the Agency for Electronic Communications which decides at the second instance, within 8 days from the day the decision was received. The Commission is bound to decide upon the appeal within 15 days after the receipt date, and its decision regarding the appeal is final. Thus, abuse of the appeal system, in terms of delaying the implementation of the regulator's decision, is prevented.

## **FOREIGN ASSISTANCE**

**CARDS 2005 Program: Technical Assistance for Establishing an Independent Regulator within the Electronic Communications Sector,** 1.000.000 EUR. This Project refers to the Agency for Electronic Communications; it lasts 18 months, and should be completed by the end of 2007. The project is focused on assessment of the situation and an action plan which will include a staff and systematized job description assessment; support to specific regulatory functions, including on-the-job and off-the-job training; permanent capacity building and enhanced transparency of operations.

## **MEDIUM-TERM PRIORITIES**

### **LEGAL FRAMEWORK**

#### **Further harmonisation of the Law on Electronic Communications and the Law on Broadcasting Activity with the acquis**

With the development of the information-communication technologies, the previously separate sectors of information technology, telecommunications and audio-video technology, including radio broadcasting, converge in one. This refers to the convergence of the networks and terminals, but also of the content. Having this in mind, The European Commission started revising the directives on electronic communications and the Television without Frontiers Directive. In this direction, amendments to the Law on Electronic Communications and to the Law on Broadcasting Activities are planned in the medium term and conditioned by the adoption of the revised directives of the European Union in these two sectors.

## **INSTITUTIONAL FRAMEWORK**

### **Establishing a new regulatory body for electronic communications, broadcasting and postal services**

The two new laws, for electronic communications and for broadcasting (to be adopted in 2007) will provide the possibility to converge the existing regulatory bodies for electronic communications and broadcasting activity in a new regulatory body for electronic communications and media.

### **Establishing a new Emergency Call Service**

The Service will unite the existing emergency services, as follows: police 192 (Ministry of Interior), fire fighting service 193 (Ministry of Interior), emergency medical service 194 (Ministry of Health) and the Alert Service 195 (Ministry of Defence). The implementation of the emergency call service shall be conducted by the Crisis Management Centre according to its legal competences.



### 3.10.2 INFORMATION SOCIETY

The development of the information society is determined as a national priority in Republic of Macedonia and thereby establishment of a new Ministry of Information Society is envisaged, requiring adoption of the proposed amendments to the Law on Organisation and Operation of the State Administrative Bodies which shall be adopted by 2/3 majority and is in a parliamentary procedure, as well as allocations of certain budgetary means for financing a great number of projects for development of the information society.

As an interim solution, the Assembly has elected a Minister without portfolio in charge of the information technology sector.

#### CURRENT SITUATION

##### LEGAL FRAMEWORK

The field of Information Society in the Republic of Macedonia is regulated by the National Strategy for Development of Information Society and Action Plan (NSISDAP).

The Strategy describes the basic development directions broken down into 8 strategic pillars (Infrastructure, E-business, E-Government, E-Education, E-Healthcare, E-Citizens, Legislation and Sustainable Development Priorities of the Information Society).

The Action Plan defines in detail the 109 planned projects in the field of the information society and measurable indicators for them.

The objective of the Strategy is to enable efficient implementation and use of the ICT by all entities in the Republic of Macedonia, through the realisation of the legislative and institutional priorities defined in the Action Plan such as establishment of a National Council for Information Society; raising the public awareness for the needs and importance of the information society advancements; enabling access to Internet for all citizens, defining mechanisms that provide resources for funding the process of information society building and development; and establishment of continuous monitoring and evaluation.

The National Strategy for Development of Information Society and the Action Plan are in accordance with the obligations undertaken by the Republic of Macedonia deriving from the adopted "E-Declaration 2002, Recommendations for accelerated development of information society and digital economy in the Republic of Macedonia as national priority"; Action Plan and Declaration of the World Summit Information Society in Geneva, 2003; the adopted concept for e-Government by the Government of the Republic of Macedonia, 2004, and so on. The Strategy covers also the draft-action plan of the European Commission, i-2010, eEurope 2005, eEurope+ 2003.

**Law on Electronic Data and Electronic Signature** (Official Gazette of the Republic of Macedonia No. 34/2001 and No 06/2002) enables the electronic documents to be signed electronically, which would make them equivalent to the paper documents signed in handwriting and/or stamped. It creates preconditions for the electronic documents to, *de facto*, be equivalent to the one inscribed in hand.

The adoption of all the bylaws derived from Law on Electronic Data and Electronic Signature has additionally ensured its implementation.

##### INSTITUTIONAL FRAMEWORK

Until the establishment of the Ministry for Information Society, the Committee for Information Technology (CIT) and the National Task Force for Information Society shall be the competent institutions for coordination of the activities pertaining to the information society building and the NSISDAP Projects implementation.

Another body competent for information society establishment and development is the Ministry of Transport and Communications, on the basis of the Law on Electronic Communications of 2005 (Official Gazette of the Republic of Macedonia, No. 13/05).

#### Projects providing for development of the Information Society

According to the National Strategy for Information Society, the following projects are currently implemented:

- **Portal for all citizens of the Republic of Macedonia**, [www.uslugi.gov.mk](http://www.uslugi.gov.mk) (Project 6.01 from the Action Plan of NSDIS) – Project for Assessment of Good Governance Potential in Macedonia.

On 19 December 2005 the portal [www.uslugi.gov.mk](http://www.uslugi.gov.mk) was set as a centralised and standardised information portal for all the citizens of the Republic of Macedonia, which will facilitate considerably the obtaining of information from the public sector and the access to the state administration services. Through its final version, this Portal will enable complete electronic communication and undertaking transactions between the citizens of the Republic of Macedonia and the state administration.

Through this Portal the citizens will be able to obtain information on services- documents, forms, procedures, protocols and contact persons in a timely and simple manner. They have the possibility to ask questions and give comments on every service and respectively receive answers from the civil servants.

A working group has been established to analyze the Portal and conduct a poll on the 5 most used services, with the support of Metamorphosis, responsible for the IT component. The same WG will prepare a draft concept for further development of services and upgrading of the portal towards greater interaction.

This WG is connected also with the Working Group for simplification of the administrative procedures ("guillotine").

- **Collaborative portal solution for the General Secretariat of the Government of the Republic of Macedonia**  
The Project includes electronic management of information within the General Secretariat of the Republic of Macedonia: The implemented solution will cover the following process for which the General Secretariat is responsible:
  - Processing questions from parliamentarians of the Assembly of the Republic of Macedonia;
  - Following the implementation of the conclusions adopted at a session of the Government of Republic of Macedonia;
  - Setting and monitoring of the implementation of the Annual Program of the Government of the Republic of Macedonia.
- **Online application regarding employment in the state institutions**  
This application enables electronic online submittal of applications for employment of civil servants through the internet page of the Civil Servants Agency <http://prijava.ads.gov.mk>.  
The system is in operation since 19 December 2005
- **E-procurement service**  
This project introduces in several institutions a software application for electronic management of the comprehensive public procurement process.
- **E-Market Centre**  
Building an E-market portal will enable integration of the information on the small and medium-sized enterprises in the Republic of Macedonia, for the purpose of their promotion at the global market. The mission of the portal [www.emarketplace.org.mk](http://www.emarketplace.org.mk) is to improve the work of small and medium-sized enterprises in the Republic of Macedonia, by using the Internet as one of the most efficient media to conquer new markets and acquire new foreign partners. This portal will enable the small and medium-sized enterprises to present independently, in a simple and free of charge manner, the profile of their company, its activities and products on the Internet medium through own web infrastructure.
- **E-taxation service**  
The Public Revenue Office, the body responsible for collecting taxes in the Republic of Macedonia, has restructured its operations by introducing e-taxation portal, in order to increase the efficiency and transparency of its performance. The portal will enable online tax reporting for taxpayers.  
For the start, on 3 July 2006, 130 taxpayers were invited to use the system, of those 94 have signed an agreement with the PRO to use it.
- **E-school**  
Furnishing of additional 200 schools with computer laboratories, upgrading the existing computer laboratories and equipment for the Central Computer Laboratory Maintenance System at about 700 schools is envisaged. The project also involves creation of a portal with educational topics and exchange of experiences among participants within the educational system, as well as continuation of the process of teacher training in the field of ICT and e-issues.
- **Electronic session of the Government of the Republic of Macedonia**  
Starting with the session held on 11 May 2006, the Government prepares, organises and holds its sessions through a modern integrated information system, thus minimizing the use of paper in this process. The gains from this way of working are multi-fold, with a focus on increased efficiency of the members of the Government in the preparation and the holding of the Government sessions.
- **Macedonia connecting**  
A Project for National Broadband Wireless Network Maintenance and Extension, as well as implementation of the information portal pertaining to primary and secondary education institutions, their activities and e-mail and web services for all schools, teachers and pupils.
- **e-Rider**

This project gives support to the non-governmental organisations and local self-government efforts aiming at development of strategies for use of ICT technologies. The project was implemented by Metamorphosis.

- **Health registers (drug monitoring)**

**Health Registers and Drug Monitoring** – a new system has been established in the Ministry of Health for supervision of the distribution and consumption of drugs. This also strengthens the intention of the MH to supervise closely the way in which the drugs on the positive list become available and their correct distribution throughout the country according to the needs of the consumers. This system will detect the irregularities in the issue of prescriptions/drugs, adequate allocation for all those that need medical treatment to have available the necessary drugs at all times, it will eliminate the possibility for abuse of the health fund and reduce the possibility for sales of illegally registered drugs.

- **e-CEMT**

A Project of the Ministry of Transport and Communications for electronic issue of CEMT permits.

- **Responsibility through transparency**

This project shall be implemented by 10 units of local self-government. The goal is to enable easier monitoring of the work of the local authorities and strengthen the dialogue between the citizens and their municipal councils. Besides the regular access by web, each municipality that participates in this project will have the obligation to provide one computer only for the citizens and they will be able to access the program “Responsibility through Transparency” where they can write their comments or ask direct questions about activities undertaken by the local authorities.

- **e-Budgeting**

This project will facilitate the process of developing and monitoring the national budget through electronic management/processing by the Ministry of Finance.

The system will be/is tested in the course of the preparation of the 2007 budget and will be fully implemented in the preparation of the 2008 budget.

- **e-Learning (CSA, collaboration with IMPACT), ICT manual for state administration**

The Project e-Gov in cooperation with the Civil Servants Agency are preparing two e-learning courses (learning through internet), aimed for civil servants and candidates interested in working as civil servants.

- **ICT handbook for professionals** – accomplished by the Secretariat for European Affairs and NORMAK

- **Security training courses**

The system designers and system programmers in different sectors in the Government of RM have successfully finished the course/training on computer security. The need for this type of training was presented because of the fact that all these sectors in the Government are at an initial level in the development of information technologies and even those who are at a higher level are now starting to get to know the security systems, especially since this is implemented in several fields, of which the financial sector stands out as a key sector.

As a result of this project, the capability of the Government of the Republic of Macedonia is being developed in security of classified information and their transfer through the authorities of the Government, such as the capability of providing services to the public. This reflects on better managed government institutions that become more transparent and more efficient.

- **Guidelines for ICT security**

The project is implemented by Metamorphosis to raise the public awareness and create a document with directions for ICT security for all institutions, with a special accent on protection of the privacy of the personal data of the citizens. The project represents the implementation of the first phase of the PG 6.02 programme for e-security of NSDIS.

## **FOREIGN ASSISTANCE**

The realisation of the projects for development of the information society is supported by:

- FIOSM (SOROS) - Portal for all citizens of the Republic of Macedonia, [www.uslugi.gov.mk](http://www.uslugi.gov.mk);
- USAID – e-Procurement service; e-Taxation service; e-School; Macedonia connecting; Health registers - drug monitoring (e-Gov IMPACT); e-CEMT (e-Gov IMPACT), Responsibility through transparency, e – Budgeting (e-Gov IMPACT), e-Learning;
- Equipment donation from the People’s Republic of China for the e- School project;
- NORMAK project – ICT Handbook for professionals
- OSI Budapest – Guidelines for ICT security.

## SHORT-TERM PRIORITIES

### INSTITUTIONAL FRAMEWORK

Priority in building the institutional framework for information society development is the establishment of Ministry for Information Society.

The role of the Ministry for Information Society will be to define the policy and its priorities, as well as coordination of the implementation of NSISDAP and individual projects.

The Ministry for Information Society will establish and develop partner relations between the public, private and civil sector as basic precondition for the establishment and development of an information society in the Republic of Macedonia.

The Ministry for Information Society will put a special accent on the implementation of the National Information Society Development Strategy and Action Plan, on the construction of a spinal electronic communications network to link the state institutions and with a strong partnership with the private sector.

Among other things, the competences of the Ministry for Information Society will be:

- Defining the mechanisms to provide and manage funds to finance the development of the information society;
- Records, coordination and monitoring of the implementation of approved projects for information society development in the Republic of Macedonia;
- Coordination and recommendations for implementation of the information systems in the state administration in the Republic of Macedonia;
- Creating and keeping a central register and inventory of the available hardware, software, telecommunications equipment and other information equipment and licenses within the state administration;
- Creating and keeping a central knowledge base available to the information sectors in the state administration;
- Prescribing policies, recommendations, directions and other strategic and operational documents at central level;
- Proposals for conclusion of agreements with strategic partners
- Prescribing a policy for operational processing and archiving data and information as public good;
- Coordination of activities performed by information sectors in the state administrative bodies;
- Coordination, management and development of an integrated secure government network for the needs of the public administration;
- Planning, implementation and development of an electronic communication network to link all public institutions;
- Organisation of a large number of massive training for citizens of the Republic of Macedonia aimed getting directly acquainted with and included in the realisation of projects like: Portal for all the citizens of the Republic of Macedonia, e-taxation, e-government, e-learning, health registers, e-school, e-market centre and similar;
- Care for preparing and raising the public awareness and education on the meaning of information society development and the use of the benefits;
- Preparation of educational and promotion materials on use of electronic services;
- Monitoring, initiating and introducing international standards in the state administrative bodies in the field of information and telecommunications, security aspects and infrastructure development;
- Establishment, development and use of state and local registries and databases and their connection and exchange of information in a secure manner;
- Development of information and telecommunications infrastructure and technology of the state administrative bodies;
- Preparation, coordination and monitoring of the realisation of plans for continuous education and professional development of the personnel in information sectors;
- Creation and continuous development of an educational and scientific research system;
- Following, recording and realisation of technical and technological international cooperation and conclusion of international cooperation agreements;
- Sending staff to specialised training abroad and using the services of foreign experts;
- Scholarships, specialisation and practical education on the basis of international, state and other agreements;
- Other tasks determined by law.

### OTHER INSTITUTIONS

**Strengthening the capacity** of the IT-sector of the General Secretariat of the Government, and the IT-sectors of the ministries, state administrative bodies and other state and public institutions.

In this respect, the General Secretariat of the Government, each ministry and state institution should have an IT-sector<sup>8</sup>, and consider the advantages and disadvantages of hiring more employees, as compared to the fulfilment of duties on a contract basis,

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<sup>8</sup> An obligation assumed under the Stability Pact.

through outsourcing. Specific competences of each IT-sector should be specified with the documents that define the functions of each institution, in accordance with the Law on Information Society.

**Establishing an IT sector at local level-** each municipality in the Republic of Macedonia would have to prepare an information society development programme at municipal level, and to establish an IT-sector, the management of which will be within the competence of the Municipal Council and/or Mayor. Basically, these IT sectors' competences will be related to the implementation of heterogeneous activities and projects for information society development at municipal level. These sectors will have to cooperate with each other and with the Ministry for Information Society in Republic of Macedonia.

There are already institutions in place in charge of performing the regulatory function and others will be set up too, in accordance with the needs in particular areas.

**Organisation of training** for the newly employed in the Ministry for Information Society as well as courses for project coordinators from the ministries and other institutions, leaders of projects and initiatives in compliance with NSISDAP. Topics of the training courses to be conducted are: Project Cycle Management; Project coordination and institutional cooperation; Fiscal Management; Risk Management.

### **Projects providing for development of the Information Society (underway projects and beginning of new)**

In compliance with the National Strategy for Information Society, the following projects will be implemented in the short- term:

- **Portal for all citizens of the Republic of Macedonia, [www.uslugi.gov.mk](http://www.uslugi.gov.mk)**  
The following phases of this project envisage full two-way electronic communication and transactions among citizens and the public administration- short-term measure.
- **E-axation service**  
In the next phases of this project it is planned to further modernise the performance of its activities by introducing a portal for electronic tax services. The goal is to increase the efficiency and transparency of the work of the Public Revenue Office. Further developing the system and its extension to small and medium-sized enterprises in underway.
- **e-Governance in the Republic of Macedonia**  
The project introduces tools for e-governance at local level, by establishing public access points for the citizens of the Republic of Macedonia.
- **ICT support for the Municipalities in the Republic of Macedonia and sustainable development**  
The local self government, by using ICT technology, undertakes activities aiming at increasing transparency and responsibility.
- **Citizens' participation (e-Local Self-government)**  
Through this project, the organisation "Metamorphosis", in cooperation with USAID and the Foundation Open Society Institute Macedonia, provides ICT solutions and consultations to the municipalities, for the purpose of strengthening the relations between the citizens and the local self-government and motivating citizens to participate more in public debates.
- **Physical infrastructure among state institutions**  
After conducting an analysis of the existing situation and observing possible technical and technological solutions, the process of selecting the most appropriate mode of implementation of the project of installing physical infrastructure among the state institutions and access to Internet was launched.
- **MARNET**  
Follow-up of MARNET's connecting to GEANT, as well as interconnection of higher education institutions in the country through FP6 projects.
- **EMIS**  
The project foresees establishment of an education management information system.
- **Digital clubs for bridging the digital gap**  
The "Metamorphosis" project goal is bridging the digital gap through the establishment of public points of access to Internet in rural and underdeveloped areas. Up to now 12 DC have been opened.

## FOREIGN ASSISTANCE

The realisation of the projects for development of the information society is supported by:

- USAID – e-Taxation service, Citizens' participation (e-Local self – government);
- UNDP – e-Governance in Republic of Macedonia (Global Cooperation Agreement between UNDP and Microsoft;
- FIOSM (SOROS) - Citizens' participation (e-Local self – government);
- Grant from the Kingdom of Netherlands - EMIS project.

## PROJECTS AND ACTIVITIES IN THE DIRECTION OF INFORMATION SOCIETY DEVELOPMENT IN THE REPUBLIC OF MACEDONIA REALISED BY THE GOVERNMENT OF THE REPUBLIC OF MACEDONIA

In 2007 and 2008, according to the Programme of the Government, the following projects will be implemented:

- Financial support for the formation of information personnel. In the 2007 budget resources have been allocated for financial support for 120 persons.
- Purchase of cheap computers for schools and citizens (**continuing the e-school project**)
- Massive training for work with computers, Internet and office programmes
- Introduction of an obligatory subject informatics in elementary education and full computerisation of schools
- Connection of all border crossings in a centralised information system compatible with the EU system
- Implementation of an integrated medical information system and introduction of an electronic health card
- Computer system to follow documents in the judiciary
- Digitalisation of the cadastre
- Stimulation of non-cash payments, e-commerce and e-banking
- Free of charge internet for all citizens in a period of 4-6 months
- Implementation of the National Library Information System (the software has already been made through financing of the project of the Ministry of Education and Science)
- The State Archives of the Republic of Macedonia has prepared a software package used in part of the state institutions for electronic office and archive operations

## SHORT-TERM PRIORITIES

### LEGAL FRAMEWORK

Medium-term priorities include carrying on with the harmonisation of all laws (existing and new ones) which contain provisions pertaining to the field of information society, as well as amendments to the laws, whereby the new directives on development and building of information society would be transposed.

The adoption of the following has been planned:

- Law on Cyber Crime
- Law on Electronic Commerce and Electronic Banking
- Law on Distance Learning
- Law on Conditional Access to Services
- Harmonisation of all laws (existing and new) containing provisions pertaining to the field of information society

### INSTITUTIONAL FRAMEWORK

All projects (109), planned in accordance with NSISDAP, should be implemented on a medium-term basis. Also, hardware and software have to be purchased, activities regarding ICT system installation and maintenance should be undertaken, and training and enhancing of the professional capacity of employees in the Ministry for Information Society should continue, as well as training of project coordinators in the ministries and other institutions leaders of projects and initiatives based on NSISDAP.

## 3.10.3 AUDIOVISUAL POLICY

### BROADCASTING

#### CURRENT SITUATION

#### LEGAL FRAMEWORK

In the Republic of Macedonia the sphere of broadcasting is regulated by the new Law on Broadcasting Activity (Official Gazette of the Republic of Macedonia 100/05), the Law on Establishing Public Enterprise Macedonian Broadcasting (Official Gazette of the Republic of Macedonia No. 6/98-313), the Law on Electronic Communications (Official Gazette of the Republic of Macedonia No. 13/05), the Law on Copyrights and Related Rights (Official Gazette of the Republic of Macedonia No. 47/96, 3/98, 98/02 and 04/05), Law on Ratification of the European Convention on Trans-frontier Television and the Protocol Amending the European Convention on Trans-frontier Television (Official Gazette of the Republic of Macedonia No. 18/2003-59).

The new Law on Broadcasting Activity completely incorporated the provisions of the Television without Frontiers Directive of the European Union, the provisions of the Convention on Trans-frontier Television of the Council of Europe, as well as of the declarations and recommendations of the Council of Europe which define more precisely the European standards and principles in broadcasting.

Besides the existing two (public broadcasting service and commercial sector), the Law introduces the possibility of the existence and development of a third, non-profit sector, thus establishing that non-profit broadcasting operations can also be performed by educational, cultural and other institutions and citizens' associations and foundations.

The provisions of the new Law enable balancing of two opposed principles: plurality in media ownership and free entrepreneurship in the field of electronic media.

Pursuant to the new Law, the Government will not grant concessions for performing broadcasting activities any more. Instead, the Broadcasting Council will issue licenses, which is in compliance with the Council of Europe Recommendation 2000/23, whereby all the authorisations with regard to regulating the broadcasting sector, including issuing licenses, are to be transferred to the regulatory body.

The new Law on Broadcasting Activity provides regulation of satellite broadcasting and re-transmission of original programme services via cable, which will encourage competitiveness in broadcasting, regardless of the availability of natural resources (frequencies).

The transparency of the procedure for awarding license is enhanced and control is ensured, on the part of the public and stakeholders, of the decision making process at the Council.

Programme standards are set on the basis of the Council of Europe recommendations, the European Convention on Trans-Frontier Television and the Television without Frontiers Directive. They also incorporate the provisions on European audiovisual works, which are a prerequisite for preserving the European cultural identity and for integrating the Macedonian broadcasting market into the single European broadcasting market.

Furthermore, the provisions on advertising and tele-shopping have been completely harmonised with the Convention on Trans-frontier Television and the Television without Frontiers Directive.

The transfer of signals through the public communication networks is regulated by the new Law on Electronic Communications and now they fall under the jurisdiction of the Agency for Electronic Communications.

The Law on Broadcasting Activity establishes a system of bundled procedure in relation to the registration of programme services re-broadcasted through over the public communications networks.

### **The Amendments to the Law on Broadcasting Activity are in parliamentary procedure.**

The amendments to the Law foresee establishment of a Managing Authority comprised of two executive directors in the public broadcasting service PE Macedonian Radio-Television, of which one will be a foreign national. The two executive directors will use the "joint signature" as a principle in the operations that will enable better efficiency and security in the operation of the public broadcasting service.

## **STRATEGIC DOCUMENTS**

A Strategy for Development of the Broadcasting Activity in the Republic of Macedonia is currently being drafted.

A working group comprising representatives of all competent institutions has been established and a process of consultations with all relevant entities in this field has started. Through the TALEX programme, in December 2006, an expert from the High Audiovisual Council of France visited the Council. The main priorities and goals of the strategy are performing an analysis of the existing market and a projection of the technological development rate in the field of broadcasting, telecommunications and information technologies.

## **INSTITUTIONAL FRAMEWORK**

In accordance with the Law on Broadcasting Activity, the Broadcasting Council conducts supervision over the implementation of the Law in terms of observing the programme principles, programme requirements and restrictions, as well as the conditions stipulated in the license.

The Broadcasting Council is an independent regulatory non-profit body with public authorisations in the broadcasting industry, stipulated in the Law on Broadcasting Activity. The Broadcasting Council has the capacity of a legal entity. In fulfilling its

competences, defined by this Law, the Broadcasting Council takes care of ensuring freedom and plurality of expression, then the existence of independent and autonomous media, economic and technological development of the industry and safeguarding citizens' interests in relation to the broadcasting industry. The expert and administrative part of the operations of the Council are carried out by an expert service established by virtue of the Law on Broadcasting Activity of 1997. On 3 December 2006, the expert service of the Council had 24 full time employed persons. Furthermore, according to Article 30 paragraph 3 of the Law on Broadcasting Activity, the nine members of the Council are employed on a full time basis, so the total number of employees amounts 33 persons.

Pursuant to the Law on Broadcasting Activity, the Broadcasting Council is primarily funded by the broadcast fee (4% of the totally collected funds), and a small part from the finances are provided from the charges for licenses for broadcasting operators.

The supervision of compliance with the operation requirements contained in the approval for using frequencies, construction, maintenance and using networks and programme broadcasting and transmission devices is performed by the Agency for Electronic Communications and the Ministry of Transport and Communications.

The Ministry of Transport and Communications is the competent state body with regard to creation and implementation of the policy related to electronic communications, information society and broadcasting.

## **SHORT-TERM PRIORITIES**

### **LEGAL FRAMEWORK**

**Priorities to be achieved in short-term are the following:**

- Drafting a National Strategy for Development of Electronic Communications and Information Technologies.
- Drafting a new Law on Electronic Communications and a new Law on Broadcasting Activity.

The National Strategy for Development of Electronic Communications and Information Technologies will determine the strategic directions, activities and goals for creating an ambience of support to the digital convergence among info-communication technologies and electronic media in the Republic of Macedonia, as a condition for development of the information society.

The two new laws on electronic communications and broadcasting activity (that the Assembly of the Republic of Macedonia should adopt in 2007) will provide, among other things, convergence of the existing regulatory bodies for electronic communications and broadcasting, namely, the Agency for Electronic Communications and the Broadcasting Council, in one new regulatory body – Agency for Electronic Communications and Media. The new Law on Broadcasting Activity will also introduce a more efficient manner of financing the public broadcasting service in the Republic of Macedonia.

**For the purposes of full implementation of the Law on Broadcasting activity the following activities are defined as short term priorities:**

- adoption of all bylaws deriving from the Law on Broadcasting Activity;
- harmonisation of the existing concession agreements with the provisions of the Law on Broadcasting Activity, that is, transfer from a system of concessions to a system of licenses;
- drafting a Strategy for Development of the Broadcasting Activity in the Republic of Macedonia.
- **establishing a new system** of monitoring the fulfilment of programme requirements by broadcasting operators, system of monitoring media concentration, procedure for action in cases when exclusive rights for broadcasting events of great importance are used contrary to the provisions of Article 78 of the Law and procedure for action upon appeals by viewers and listeners.
- **organisation of workshops with broadcasting operators** to review, through practical examples, the provisions of the Law and all adopted bylaws.
- **conducting a large campaign** in the field of protection of underage audience, aimed for citizens in order to promote and explain the programme signalling model.

## **INSTITUTIONAL FRAMEWORK**

**Staffing of the Broadcasting Council** – Bearing in mind the set up of the regulatory body and the extended competences, it is planned for the total number of employees to be increased to 43 persons, including the nine members of the Council, employed on a full-time basis. From the total number, in 2007, the number of employees in the expert service is planned to be increased by 4 persons.

**Organisation of training** for the existing and the new employees, in 2007, it is planned to realise trainings with the aim to provide efficient implementation of the Law, especially with regard to issues on which the experience in Macedonia is insufficient: implementation of provisions related to media concentration, drafting a Strategy for Development of the Broadcasting Activity, establishment of procedures for action upon appeals by viewers and listeners and so on).



**Purchase of equipment** –it is also necessary to purchase and install new ICT equipment for the new members of the Council and expert service, aiming to increase the efficiency of the internal organisation and operation of the Council.

## **MEDIUM-TERM PRIORITIES**

### **LEGAL FRAMEWORK**

Further **harmonisation of the Law on Broadcasting Activity with the revised directives of the European Union**  
**Full implementation of the Strategy for Development of the Broadcasting Activity in the Republic of Macedonia**

### **INSTITUTIONAL FRAMEWORK**

Improvement in regulating issues in the field of broadcasting, staffing and full implementation will be provided by the establishment of the new regulatory body, whose efficiency and establishment has been explained in the segment related to electronic communications.

## **FILM FUND**

### **CURRENT SITUATION**

#### **LEGAL FRAMEWORK**

The film industry, cinematic sector and the field of protection of copyrights and related rights, in accordance with the Law on Culture, (Official Gazette of the Republic of Macedonia No. 66/03- Final Text), the Law on the Establishment of the Cinematheque of the Socialist Republic of Macedonia (Official Gazette of the Socialist Republic of Macedonia), the Law on Compulsory Copy (Official Gazette of the Republic of Macedonia No. 11/94) and the Law on Copyrights and Related Rights (Official Gazette of the Republic of Macedonia No. 47/96, 3/98, 98/02 and 4/05) fall within the competence of the Ministry of Culture.

As stipulated by the Law on Culture, the film industry is an activity for production of cinematographic, television and video film and other audiovisual products or other artistic works, presented as series of related motion pictures, with or without sound, regardless of the medium that contains them. Cinematheque related activities, as they refer to protection and preservation of the moveable cultural heritage, are also considered film activity, in accordance with the relevant culture regulations. The Law on Protection of Cultural Heritage (Official Gazette of the Republic of Macedonia No. 20/04) defines a new kind of moveable cultural heritage-sound archive works, as an authentic material of recorded sounds, i.e. original oral, musical or other kind of sound recordings or their copies, regardless of the format, sound recording technique and medium type, including the compulsory phonogram sample.

On 1 July 2003, the Republic of Macedonia acceded to the European Convention of Cinematography (Official Gazette of the Republic of Macedonia No. 18/03) on the basis of which the obligations arise for the Republic of Macedonia towards the European Fund for Co-production, Distribution and Exhibition EURIMAGES.

The Republic of Macedonia is also a member of the European Audiovisual Observatory, and the SEEEN (South Eastern European Cinema Network) whose seat is in Thessalonica, Greece.

The Law on Culture provides a possibility to establish funds for culture as national institutions, and the National Program for Culture for the period 2004-2008 determined the need to adopt a Law for the Establishing a Film Fund.

In 2006 the Law on the Film Fund of the Republic of Macedonia was adopted (Official Gazette of the Republic of Macedonia No. 70/2006) by which harmonisation with the European Convention on Cinematographic Co-production was made. The Law on Film Fund was adopted with delayed application from 1 January 2007.

## **STRATEGIC DOCUMENTS**

The National Culture Program for the period from 2004 to 2008 (Official Gazette of the Republic of Macedonia No. 31/04) is a strategic document regarding the audiovisual policy.

### **INSTITUTIONAL FRAMEWORK**

In the Ministry of Culture, the audiovisual policy is regulated in two sectors: *Sector for Legal and General Affairs and the Sector for Activities in the field of culture, art and cultural heritage with 13 units*. The Unit of Film Activities performs the activities related to film creation, such as- preparing studies, analyses, elaborate reports and programmes, monitoring, studying and researching the state of affairs in the industry, programming and monitoring the implementation of the Annual Programme for Funding National Interest in Film Activities, participation in proposing activities belonging to the sphere of international cultural cooperation (See Chapter 26).

The body competent for operations pertaining to keeping records, documentation, valorisation, categorisation, fostering and other ways of expert protection of phonotheque goods is the National and University Library "St. Kliment Ohridski" – Skopje.

The cinematheque of the Republic of Macedonia was established in 1974, and commenced operations in 1976, with the basic activity – including research, protection, preservation, processing and public exhibition of films and film materials from the national film production and from the world cinematography, as well. The cinematic items are a special kind of movable cultural heritage, defined by the Law on Protection of Cultural Heritage.

## SHORT TERM PRIORITIES

### LEGAL FRAMEWORK

**Improvement of the legal framework** by adoption of a Rulebook for establishing criteria for financing projects and elements to be included in the projects based on the Law on Film Fund of the Republic of Macedonia (Official Gazette of the Republic of Macedonia No. 70/06).

**Preparation for participation in the Programme of the European Union – MEDIA 2007.** The Ministry of Culture will create conditions for participation in projects for the development of the production, distribution of film and audiovisual programmes, promotion of film works and audiovisual programmes.

### INSTITUTIONAL FRAMEWORK

Establishing a Film Fund - it will be established and operate as a national institution in the field of culture, as an entity beneficiary of the Budget of the Republic of Macedonia. Besides the budget funds, it will be financed by other alternative sources of funds. The establishment of the Fund will provide conditions for continuous generation of resources for financing the film industry through film projects, as well as to promote, stimulate, present and foster film creativity.

Staffing of the National Institution – Film Fund of the Republic of Macedonia – the realisation of this goal is planned through employment of 5 persons, to be undertaken in 2007.

### INSTITUTION BUILDING REQUIREMENTS

BUDGETARY INSTITUTION	BENEFICIARY/INSTITUTION/ SECTOR	Current status 31.12.2006	2007	2008	2009	2010	Total
04001: Government of the Republic of Macedonia	GRM: All ministries (IT sectors)	0	15	15	20	20	70
	NEW: Ministry of Information Society	0	6	7	7	5	25
04001: Government of the Republic of Macedonia Total		0	21	22	27	25	95
05004: Crisis Management Centre	CMC: Crisis Management Centre/ Emergency Call Service (single number)	0	0	0	0	0	0
05004: Crisis Management Centre Total		0	0	0	0	0	0
13001: Ministry of Transport and Communications	MTC: Sector for Communications	6	1	1	0	0	2
13001: Ministry of Transport and Communications Total		6	1	1	0	0	2
18001: Ministry of Culture	NEW: Film Fund	1	0	0	0	0	0
18001: Ministry of Culture Total		1	0	0	0	0	0
AEC: Agency for Electronic Communications	AEC: Agency for Electronic Communications/ Sector for Telecommunications; Sector for Radiocommunications	95	0	0	0	0	0
AEC: Agency for Electronic Communications Total		95	0	0	0	0	0
<b>TOTAL</b>		<b>102</b>	<b>22</b>	<b>23</b>	<b>27</b>	<b>25</b>	<b>97</b>

## 3.11 AGRICULTURE AND RURAL DEVELOPMENT

### 3.11.1 AGRICULTURE AND RURAL DEVELOPMENT

The Agriculture and Rural Development sector in the Republic of Macedonia plays a significant role in the overall social and economic development. In the following period greater level of activities is expected, both in terms of the approximation of the European legislation and in terms of the institutional building and creation of new institutions in this field. The adoption of the Law on Agriculture and Rural Development – expected to be completed by the end of 2007 – as the highest legal act in the agriculture is the starting point of the reforms and the basis of the development not only of the sector itself, but also of the Macedonian economy as a whole. The basic principles of the Law are planning the agricultural development and development of the rural areas, measures of the agricultural policy and the beneficiaries of those measures, minimum quality and designations of the agricultural products, establishment of a database and surveillance over the implementation of those measures.

#### 1.1. CURRENT SITUATION

##### LEGAL FRAMEWORK

Currently there is no systemic legal act for horizontal regulation of the agricultural sector and rural development. Certain areas in the agricultural sector are regulated by the following legal acts:

- The Law on Wine (Official Gazette of the Republic of Macedonia No 69/2004)
- The Law on Livestock Breeding (Official Gazette of the Republic of Macedonia No 61/97)
- The Law on Agricultural Land (Official Gazette of the Republic of Macedonia No 25/98)
- The Law Amending the Law on Agricultural Land (Official Gazette of the Republic of Macedonia No 18/99; 2/2004)
- Law on Tobacco and Tobacco Products (Official Gazette of the Republic of Macedonia No. 24/06)
- The Law on Agricultural Activity (Official Gazette of the Republic of Macedonia No. 11/02)
- Law on Establishing Agency for Promoting Development in Agriculture (Official Gazette of the Republic of Macedonia No 03/98)
- The Law on Agricultural Inspection (Official Gazette of the Republic of Macedonia No 38/04)
- The Law on Organic Agricultural Production (Official Gazette of the Republic of Macedonia No 16/04)
- The Law on Pastures (Official Gazette of the Republic of Macedonia No 3/98)
- The Law on Stock Exchanges of Agricultural and Food Products (Official Gazette of the Republic of Macedonia No 32/92)

The management and control of budgetary funds earmarked for support the development of agriculture is regulated by the following legal acts:

- Law on Organisation and Operation of the State Administrative Bodies (Official Gazette of the Republic of Macedonia No 58/2000)
- Law on Promoting Agriculture Development (Official Gazette of the Republic of Macedonia No 24/92, 32/92, 83/92, 78/93, 14/96)
- The Law on Budget (Official Gazette of the Republic of Macedonia No 79/93)
- The Law on State Audit (Official Gazette of the Republic of Macedonia No 73/2004)
- The Law on Audit (Official Gazette of the Republic of Macedonia No 79/2005)
- The Law on Financial Operations (Official Gazette of the Republic of Macedonia No 42/1993 and 32/1997)
- The Law on Investment Funds (Official Gazette of the Republic of Macedonia No 9/2000)
- The Law on Banks (Official Gazette of the Republic of Macedonia No 63/2000, 103/2000, 37/2002, 51/2003 and 85/2003)

The support in the rural areas is implemented in accordance with the partial programmes implemented pursuant to the following laws:

- The Law on Indebtedness of the Republic of Macedonia at the International Fund for Agricultural Development for realisation of the Project for Rural Development of the Southern and Eastern Regions (Official Gazette of the Republic of Macedonia No 7/97 and 45/97)
- The Decision on Rising and Use of Funds from the Foreign Economic Assistance for Agricultural Development in the Republic of Macedonia (Official Gazette of the Republic of Macedonia No 1/98)
- The Law on Promoting Agriculture Development (Official Gazette of the Republic of Macedonia No 24/92, 78/93, 14/96)
- The Law on Establishing National Extension Agency (Official Gazette of the Republic of Macedonia No 3/98)
- The Law on Associations of Citizens and Foundations (Official Gazette of the Republic of Macedonia No 31/98)
- The Law on Waters (Official Gazette of the Republic of Macedonia No 4/98 and 19/2000);
- The Law on Water Communities (Official Gazette of the Republic of Macedonia No 51/2003);
- The Law on Water Management Enterprises (Official Gazette of the Republic of Macedonia No 85/2003);

- The Law on Promotion of Economically Underdeveloped Areas (Official Gazette of the Republic of Macedonia No 2/94 and 39/99);
- Decision on Determining Economically Underdeveloped Areas in the Period 2003 – 2007 (Official Gazette of the Republic of Macedonia No 28/03 and 2/04).
- The Law on Forests (Official Gazette of the Republic of Macedonia No 47/97, 7/2000 and 89/2004);
- The Law on Hunting (Official Gazette of the Republic of Macedonia No 20/96, 26/96, 34/97 and 69/04);
- The Law on Nature Protection (Official Gazette of the Republic of Macedonia No 67/04);

The Ministry of Agriculture, Forestry and Water Economy prepared a Draft-Law on Establishment of Directorate for Financial Support of Agricultural and Rural Development, which is in an adoption procedure by the Assembly of the Republic of Macedonia. This Law shall regulate the establishment of an institutional framework for EU funds management earmarked for agriculture and rural development.

Although, at this moment there is no integrated legal act for introduction of integrated systems of data collection and management of registers and databases to support the creation and implementation of the agricultural policy, however, this is regulated with a general legal framework regulating the collection of data and information and setting up and management of databases and this area is regulated with the following legal acts:

- The Law on Classified Information (Official Gazette of the Republic of Macedonia No 9/2004).
- The Law on Personal Data Protection (Official Gazette of the Republic of Macedonia No 12/94, 4/02 and 07/05) harmonised with the following EU acts: 32001R0045 of the European Parliament and the Council on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies and on the free movement of such data (OJ L 8, 12.01.2001); 32002R0831 on application of the Council Regulation (EC) No. 322/97 on Community statistics, related to access to confidential information for scientific purposes (OJ L 133, 18.05.2002).
- The Law on Electronic Data and Electronic Signature (Official Gazette of the Republic of Macedonia No 34/2001; 6/2002).
- The Law on State Statistics (Official Gazette of the Republic of Macedonia No 54/97), harmonised in terms of data protection to 31997R0322 (OJ: L052 of 22/02/97 Act on Community Statistics); Council of Europe, Convention 108 (81) for protection of individuals with regard to automatic processing of personal data, Directive 96/46/EC of the European Parliament and Council of 24 October 1995 on protection of individuals with regard to the processing of personal data and on the free movements of such data (OJ of the European Communities No. L 281/31), Council of Europe, Recommendation No R (97) 18.
- The Company Law (Official Gazette of the Republic of Macedonia No. 28/04)
- The Law on Surveying, Land Register and Entry of Rights to Real Estate (Official Gazette of the Republic of Macedonia No .27/86, 17/91).

The current legislation regulating the keeping of registers for various purposes in the agricultural sector includes all the laws regulating certain areas of the sector, stated above. In addition, the existing legal acts regulating the setting up of registers in the agriculture are as follows:

- Law on of Animal Identification and Registration (Official Gazette of the Republic of Macedonia No 69/2004)
- The Law on Plants Protection (Official Gazette of the Republic of Macedonia No 25/98, 6/00) and the Law on Plant Health (Official Gazette of the Republic of Macedonia No 29/2005)
- The Law on Seeds and seedlings from Agricultural Plants (Official Gazette of the Republic of Macedonia No 39/2006); and
- The Law on Wine (Official Gazette of the Republic of Macedonia No 69/2004).

The following strategic documents define the policy of development of the agricultural sector and the rural development:

- National Strategy for Integration of the Republic of Macedonia in the European Union, National Programme for Approximation of the Legislation (NPAL), Economic and Social Part, section 3.6.14 Agriculture.
- Strategic Plan 2007-2009 of the Ministry of Agriculture, Forestry and Water Economy, and
- Working Programme 2006-2010 of the Government of the Republic of Macedonia.

## **INSTITUTIONAL FRAMEWORK**

The Ministry of Agriculture, Forestry and Water Economy (MAFWE), with all its sectors, administrations and inspectorates, is in charge of drafting the legal acts in the field of agriculture and rural development.

MAFWE is designated as the Managing Body in charge of rural development in the Republic of Macedonia with the publication of the Government Decision (Official Gazette of the Republic of Macedonia No. 05/2006)

Currently there is no institution in the Republic of Macedonia able to manage the EU funds earmarked for development of agriculture and rural areas in the pre-accession period. Pursuant to a Decision of the Government of the Republic of Macedonia,

MAFWE is obliged to submit a draft-law on establishing Paying Agency. Within the scope of the activity for establishing Paying Agency, 22 persons were employed in the Secretariat for European Affairs in 2006, which immediately after the Agency will be established shall be transferred therein. The employed were also provided with appropriate offices and basic work equipment. Furthermore, the newly employed and the employed in the Sector for Financial Support of Agriculture and Rural Development within MAFWE and the representative of the National Fund within the Ministry of Finance in 2006 supported by the SLR Project realised a number of training on IPARD and IPARD Programming, other countries experience with regard to the SAPARD Programme, project cycle management and project realisation and monitoring, bases for drafting investment programmes, document management and risk analysis and reporting on irregularities.

The partial programmes for rural areas development are implemented through the Ministry of Local Self-Government, the Ministry of Transport and Communications, Ministry of Environment and Physical Planning, and other state institutions.

With regard to the rural development in 2006 MAFWE started the realisation of a new programme for rural development, for which 734.000 EUR were allocated, intended for investment in agricultural mechanisation and equipment for natural and legal entities.

Due to the necessity of inclusion of the EC recommendations and the actual needs for support of the agricultural policy in the process of approximation to the EU Common Agricultural Policy (CAP), and in relation to establishing an integrated Agricultural Information System (AIS), Sector for agricultural policy analysis and agricultural information system (SAPAAIS) has been set up within the MAFWE, comprising 3 units. This Sector covers the following elements: analysis of the agricultural policy, integrated data system for agricultural holdings (data bases and registers), including all elements of AIS – Farm Monitoring System/Farm Accountancy Data Network (FMS/FADN), market information system for agricultural and food products, agricultural statistics and economic accounts for agriculture.

## **SHORT-TERM PRIORITIES**

### **LEGAL FRAMEWORK**

With regard to better realisation and management of the general measures for agricultural development, the realisation of the following activities is foreseen:

#### **Adoption of a Law on Agriculture and Rural Development**

Preparations of a Law on Agriculture and Rural Development are underway, and the adoption of this Law is expected in 2007. The Law is a systematic legal act in this sector, which creates a legal framework for implementation of all reforms in the policy and institutions in the agricultural and food production sector and the rural areas. The basic principles of the Law are planning the agricultural development and the development of the rural areas, agricultural policy measures and the holders of the right to benefit from those measures, minimum quality and designations of the agricultural products, setting up of databases and supervision over its implementation. The Law on Agriculture and Rural Development will be in compliance with the provisions of the EEC Council Regulation No 26 applying certain rules of competition to production of and trade in agricultural products (OJ 030, 20.04.1962, p. 993), and will partially be in compliance with the EU legal acts in the following areas:

- Establishment of advisory and expert bodies for support of the agricultural policy;
- Regulating the markets of certain agricultural and food products;
- System of direct support of the agricultural producers;
- Protection of geographical indications, designations of origin and traditional specialty guaranteed on agricultural and food products;
- Rural Development Support Policy;
- Support for scientific and research projects in the area of agriculture;
- Agricultural Information System (AIS).

#### **Adoption of bylaws to the Law on Agriculture and Rural Development**

For the purpose of enforcing the Law on Agricultural and Rural Development, adoption of number of (over 200) bylaws is expected. By the end of 2007, adoption of bylaws in the following fields is foreseen:

- Establishment of advisory and expert bodies;
- Support for scientific and research projects in the field of agriculture;
- Geographical indications, designations of origin of agricultural and food products and traditional specialty guaranteed;
- Integrated agricultural production.

#### **Adoption of National Strategy for Agricultural and Rural Development 2007-2013**

Preparations of the National Strategy for Agricultural and Rural Development are underway, accompanied by operational plans for its implementation (Action Plan for Agricultural Development and Action Plan for Rural development). The Strategy and the Plans shall be adopted in the second half of 2007. The objective of the strategy is defining a development policy and increasing the competition in agriculture and rural areas in compliance with the EU Common Agricultural Policy (CAP).

For the purpose of harmonisation the legal regulation and improvement of the quality of agricultural and food products in the Republic of Macedonia, the following activities shall be realised:

### **Drafting a programme for support of the introduction of certification and registration systems**

As an integral part of the programme for promotion of the agricultural development, a programme for support of the introduction of certification systems (HACCP, EUREP GAP and etc) and introduction of quality standards of target products with high export potential.

### **Introduction of Code of Good Agricultural Practice**

The Code of Good Agricultural Practice shall provide practical guidelines and information to agricultural producers and processors as well as to all other parties engaged in the agricultural activities. The Code will describe the main managing practices in the process of sustainable agricultural production to be adopted in order to minimise the risk from the harmful effect of the agricultural production on the environment.

With regard to realisation of the National Programme for Rural development, and in particular with regard to the management of the EU pre-accession funds allocated to agriculture and rural development, the following activities shall be realised:

### **Adoption of bylaws to the rural development measures**

The adoption of these acts will regulate the criteria for use of the financial support in accordance with the policies and measures laid down in the Strategy for Agricultural and Rural Development and in the IPARD Programme.

### **Drafting of IPARD Programme**

Drafting of the Programme for Pre-accession Assistance for Agriculture and Rural Development in the Republic of Macedonia This document will include a description of the foreseen measures and activities in the area of agriculture and rural development that are to be subject of financial support and justification with a detailed explanation of the measures foreseen to ensure effective and efficient use of the EU funds. The Programme shall be drafted in a form of legal act that will also state the national co-financing in the form of financial arrangements between the European Commission and the Republic of Macedonia. The IPARD Programme will include: Preliminary Assessment, Sector Analysis, National Strategy for Agricultural and Rural Development, Report on the legislation serving as the basis for the IPARD Programme, Description of the institutions involved, Description of the selected support measures; Financial table(s)/details for allocation of funds by measures and years, support and co-financing rates, as well as details on the implementation of the Programme and monitoring and assessment arrangements.

#### **Conclusion of Multi-annual Financing Agreement**

This Agreement will regulate all legal, technical and administrative frameworks for implementation of the IPARD Programme.

#### **Adoption of the Law on Establishing the Directorate for Financial Support of Agriculture and Rural Development**

Essential condition for use of the EU pre-accession funds and realisation of the measures for support of agriculture from the Budget of the Republic of Macedonia is to set up an institution for implementation of the measures for financial support of agriculture and rural development. The Directorate as a body within the Ministry of Agriculture, Forestry and Water Economy will implement the policy and measure imposed by the Government of the Republic of Macedonia and will be competent for management of EU funds intended for development of agriculture and rural areas in the pre-accession period and for the budget funds for agricultural and rural development.

### **Adoption of bylaws to the Law on Establishing the Directorate for Financial Support of Agriculture and Rural Development**

To realise the abovementioned objectives, the following bylaws regarding the operation of the Paying Agency shall be drafted:

- Rulebooks on implementation of the rural development measures, defined in accordance with the Strategy for Agricultural and Rural Development;
- Procedures on administrative and accounting procedures;

For the purpose of establishing an integrated system for flow and exchange of all information in the area, in this period the following activities will be realised:

### **Drafting a strategic document for establishing integrated IT system of the Ministry of Agriculture, Forestry and Water Economy**

The purpose of this document is to create strategic IT platform, hardware and software solutions to establish integrated system for networking of the different existing databases and registers as well as those which are in the phase of creation.

### **Drafting a strategy and operational plan for development of sustainable and efficient Agricultural Information System (AIS)**

Drafting a strategy and operational plan for development of sustainable and efficient Agricultural Information System, including data modelling, defining standards and forms of exchange, procedures for quality control and entire strategy for application of information and communication; development of market information system for agricultural and food products, and setting up a National Committee for Agricultural Information System.

## **Agricultural census**

The Republic of Macedonia is not in disposal of relevant and internationally comparable agricultural data, and in particular with regard to individual agricultural holdings. The Census will provide relevant, complete, internationally comparable data concerning agricultural holdings in the country, necessary for analysis of the conditions and the future plans of the agricultural development in the country, scientific research and to satisfy the needs of other beneficiaries.

## **Adoption of a Law on Farm Accountancy**

For the purpose of introducing a Farm Accountancy Data Network (FADN) and taking into account the characteristics of the agricultural activity in the Republic of Macedonia, a legal act regulating this area will be adopted.

## **INSTITUTIONAL FRAMEWORK**

With regard to strengthening the administrative capacity for better realisation and management of the general measures for agricultural development, the realisation of the following activities is foreseen:

### **Adoption of new systematisation of the Ministry of Agriculture, Forestry and Water Economy and strengthening and reorganisation of the administrative capacity**

Building the capacity of the administration in the field of agriculture will enable full preparation for implementation and practical application of the mechanisms for management of the Common Agricultural Policy (CAP) and realisation of the EU instruments for rural development. The new MAFWE systematisation provides for setting up of new units for human resources, planning and project management, sectors for land policy and pastures etc. Following the setting up of the Unit for Human Resources, the situation with the existing human capacities will be assessed and according to the identified needs, the training of the existing as well as of the new employees within the newly set up organisational units will be planned. Furthermore, restructuring the regional MAFWE units on regional principle and redefining their competences is also foreseen.

### **Establishing Agro-food Council for development of private and public dialogue**

The Agro-food Council for development will provide efficient framework for development of a dialogue between the public and private sector concerning different sectoral needs and it will enable the groups of individual producers and processors of agricultural products to influence the process of policy creation in the agricultural sector.

From aspect of rural development and in particular with regard to the use of the EU pre-accession funds, the following activities are foreseen:

### **Setting up an inter-ministerial group for rural development**

The Inter-ministerial group for rural development will be established by the Government of the Republic of Macedonia, upon a proposal from the MAFWE, for the purpose of coordination, sustainability and overall coverage of the rural development of the Republic of Macedonia, as the highest body in charge of formulating an integrated national rural development policy.

### **Setting-up a Monitoring Committee for the IPARD Programme**

For the purpose of ensuring efficient and effective monitoring and control of the realisation of the IPARD Programme as well as providing guidelines for improving the efficiency and effectiveness of the programme, following the adoption of IPARD Programme, Monitoring Committee for the IPARD Programme will be set up comprising representatives from relevant institutions and bodies as well as representatives from relevant economic and social partners.

### **Strengthening the administrative capacity of the Sector for Rural Development**

Further staffing of the Sector for Rural Development for the purpose of coordination of the other stakeholders in the matter and for determining the criteria on the use of funds from the IPARD Programme and from the national programmes for support.

### **Strengthening the administrative capacity of the Paying Agency**

Following the adoption of the Law on Establishing Directorate for Financial Support of Agriculture and Rural Development and the approval of the appropriate systematisation, the currently employed persons in the MAFWE, the employed persons in 2006 as well as the newly employed persons in 2007, anticipated to work in the Directorate for Financial Support of Agriculture and Rural Development will continue to attend the training (through seminars, workshops, on-position training, study visits, and etc.) in order to completely draft the procedures necessary for adoption of the act for accreditation by the European Commission and for implementation of the current programmes for rural development and the programme for promotion of agricultural development. For this, it is necessary to provide appropriate technical and safety standards for work – computer equipment, software, office equipment, fire prevention equipment etc.

With regard to strengthening the capacity for management and realisation of the measures and activities concerning agricultural information system, the following activities will be carried out:

### **Setting-up a National AIS Committee**

For the purpose of ensuring coordination of the institutions and consistency of data collected and processed in the field of agriculture, it is foreseen to set up an inter-institutional body – National AIS Committee.

### **Further staffing of the Sector for Agricultural Policy Analysis and Agricultural Information System**

Further staffing of the Sector for Agricultural Policy Analysis and Agricultural Information System, as institution competent for setting, coordination and implementation of the development policy and management of the information systems in the field of agriculture.

### **Establishing a Single Farm Register**

In accordance with the results from the agricultural census and by supplementing and integrating different registers on the basis of standardised procedures and methodologies for management, access and exchange of data supported by appropriate software and hardware capacity, a Single Farm Register in the Republic of Macedonia will be established.

### **Establishing a Land Parcel Register**

As a basis for establishing a complete LPIS with digitalisation of the data from the cadastre in the State Authority for Geodetic Works (SAGW), a Land Parcel Register will be established.

### **Farm Monitoring System**

For the purpose of preserving the existing FMS and defining the directions of development and improvement of the System and its transformation into a Farm Accountancy Data Network (FADN) in compliance with EU, project documentation will be prepared for the establishment of a Farm Accountancy Data Network (FADN).

## **MEDIUM-TERM PRIORITIES**

### **LEGAL FRAMEWORK**

#### **Bylaws pursuant to the Law on Agriculture and Rural Development**

In this period it is planned to adopt bylaws pursuant to the Law on Agriculture and Rural Development in different areas. Namely, the adoption of the following bylaws is foreseen:

- Bylaws on direct payments,
- Bylaws on intervention on the market of agricultural and food products.
- Bylaws on implementation of the measures for development of rural areas, and
- Bylaws on acts concerning AIS.

Act on Accreditation of the Paying Agency by the European Commission

It is foreseen that in 2008 accreditation will be granted as well as the transfer of the competence for managing and use of the pre-accession support for agriculture and rural development for the measures foreseen.

### **INSTITUTIONAL FRAMEWORK**

For the purpose of successful realisation of the Law on Agriculture and Rural Development, apart from the existing staff capacity of the existing and newly established institutions, it is required to employ new suitable personnel. In addition, it is necessary to provide equipping with adequate IT technology, professional personnel upgrade, additional training and engagement of local and foreign experts. For this reason, in this period strengthening the administrative capacity on most levels is foreseen.

From the aspect of realisation of the measures for support of agriculture and rural development, it is foreseen to realise the following activities:

#### **Strengthening and further staffing of the Sector for Rural Development**

Further staffing of the Sector for Rural Development as an institution in charge of setting, coordinating and implementing the policy for development of rural areas.

#### **Strengthening the capacity of the newly formed Paying Agency**

In accordance with the foreseen competences of the Agency for Implementing Measures of National Programmes for Support and the capacity required for the development of appropriate mechanisms for management of the EU pre-accession funds, as well as the other accompanying activities in terms of: registration of applications (regional office); approval of applications; authorisation of payments; carrying out payments; accounting and internal audit; system of checks and controls / on-site inspections, and preparing operational reports, there is series of additional medium-term measures to be implemented in relation to the IPARD Management and Agency which will be determined in details upon the adoption of the IPARD Programme. Moreover, for the requirements for managing an agricultural policy and regulating the market for agricultural and food products, it is necessary to strengthen the capacity in terms of interventions on the market, storing and keeping goods, selling goods in cases laid down by law etc. To that end, taking into consideration the foreseen scope of medium-term activities of the Agency, as upgrading of the short-term priorities, it will be necessary to provide additional technical and safe working conditions.



To realise these objectives, and in terms of establishment of the required administrative capacity for management and realisation of the measures and activities in the field of agriculture and rural development, the following activities have been foreseen:

### **Establishing a Agricultural Market Information System (AMIS)**

For the needs of market price policy and following the movements of the markets for agricultural and food products, it is foreseen to establish an agricultural market information system.

### **Further staffing of the Sector for Agricultural Policy Analysis and Agricultural Information System**

Further staffing of the Sector for Agricultural Policy Analysis and Agricultural Information System, as an institution competent for setting, coordination and implementation of the policy for development and management of the information systems in the field of agriculture.

### **Land Parcel Identification System (LPIS)**

Establishing a Land Parcel Identification System (LPIS) pursuant to Regulations 32003R1782 and 32004R0795 for the purpose of recording the use of land parcels.

### **Integrated Administrative and Control System (IACS)**

Establishing an Integrated Administrative Control System (IACS) in accordance with Regulations 32003R1782 and 32004R0795 for the purpose of efficient implementation of the measures for support of the agriculture sector. A computer database, as a single farm register, will be established for the purpose of data modelling, defining standards and forms of exchange, control procedures for data quality and an overall strategy for application of information and communication (including an alphanumeric identification of agricultural parcels in accordance with the land parcel register and a System of Identification and Registration of Animals). IACS will also include the following systems as part of the activities for financial support of agricultural producers: System for Identification and Registration of Payment Orders, Applications for Financial Support, Integrated Control System, and a single system of recording the identity of every farmer submitting an application for support.

### **Establishing a Farm Accountancy Data Network (FADN)**

Introduction of a network for collection of accounting data on the income and business operations of the agricultural holdings in the Republic of Macedonia pursuant to Regulation 31965R0079, due to the necessity of support for the agricultural policy in the process of adjustment to the EU Common Agricultural Policy.

## **FOREIGN ASSISTANCE**

To implement part of the abovementioned reforms and activities, the MAFWE receives technical assistance provided through the following: Project of Introduction of EU Directives in the Macedonian Agricultural Policy and Support of the Cooperation in the Agricultural and Food Production Sector with the countries in the region, funded by the German Government, Project for Structural and Legal Reforms of MAFWE, which is funded by EU and managed by EAR.

Besides the ongoing projects, the realisation of additional projects funded by several international financial institutions – the World Bank, International Fund for Agricultural Development – IFAD and EU is foreseen in this period.

## **3.11.2 LIVESTOCK BREEDING**

### **CURRENT SITUATION**

#### **LEGAL FRAMEWORK**

The field of livestock breeding in the Republic of Macedonia is currently covered by the Law on Livestock Breeding (Official Gazette of the Republic of Macedonia No 61/97), which regulates the breeding of and trading in cattle, sheep, goats, pigs, horses, poultry, cunicules and other animals of economic importance; also manufacturing of livestock products, manufacturing and trading in semen and embryos, manufacturing and trading feeding stuffs products, and other livestock-related issues. The Law also defines the authorisations of legal entities regarding the basic keeping of a Herd Book, selection and monitoring in livestock breeding, as well as regarding the authorisations to manufacture and trade in semen and embryos. In addition to the Law on Livestock Breeding, the following legal acts regulate this field:

- The Law on Veterinary Health (Official Gazette of the Republic of Macedonia No 28/98);
- The Law on Animal Identification and Registration (Official Gazette of the Republic of Macedonia No 69/2004)

The strategic document that defines the policy and the guidelines for development of the area is the National Livestock Breeding Programme 2000 -2009 of the Republic of Macedonia (Official Gazette of the Republic of Macedonia No 17/2000).

#### **INSTITUTIONAL FRAMEWORK**

The Sector for Agriculture within the Ministry of Agriculture, Forestry and Water Economy is the competent body for drafting, proposing and implementation of the legislation, as well as for administrative and expert issues in the area of livestock breeding.

The implementation of acts in the field of livestock breeding is under the competence of the Unit for Livestock Breeding (Sector for Agriculture), which has one employee. Besides the Unit for Livestock Breeding, the State Agriculture Inspectorate, a body within the Ministry of Agriculture, Forestry and Water Economy, is directly responsible for the surveillance over the implementation of the provisions provided for in the Law on Livestock Breeding. The Inspectorate structure includes a Sector for inspection and surveillance in the area of crop production, livestock, fisheries, and land policy, with total number of twenty four (24) employees, out of which one head of a sector, five (5) head of regional units, and eighteen (18) state inspectors positioned in the six (6) regional units of the sector. The Institute for Livestock Breeding - Skopje of "Ss. Cyril and Methodius" University is the institution authorised to keep the Herd Book, selection and monitoring of livestock.

## **SHORT-TERM PRIORITIES**

### **LEGAL FRAMEWORK**

In this period the drafting of a new Law on Livestock Breeding and the related bylaws is foreseen that will ensure complete transposition of the EU law into the national legislation in this field.

The adoption of the Law on Livestock Breeding in 2007 will ensure harmonisation of the national legislation with that of the EU in the fields of identification of criteria for associations and organisations of livestock breeders, harmonisation of the conditions of keeping the Herd Book and monitoring, the zoo-technical standards and the genealogical conditions for importing animals, and the collection and dissemination of information related to the marketing of pure race heads of livestock, encompassing the basic regulations in the field of zoo-techniques. The related bylaws to the law on Livestock Breeding will cover the EU measures concerning: conditions for high-quality and elite reproductive livestock in terms of the production and reproduction abilities, testing of the male reproductive livestock (pro-gene testing) under unique method; Herd Book keeping; manner of keeping records of the type, quality, quantity, and delivery of semen for artificial insemination; records of the type and quantity of fertilized ova and embryos and the manner of keeping and transplantation of embryos.

### **INSTITUTIONAL FRAMEWORK**

Further staffing of the Unit for Livestock Breeding within the Sector for Agriculture with 2 (two) new employees as well as of the State Agriculture Inspectorate is foreseen.

## **MEDIUM-TERM PRIORITIES**

### **LEGAL FRAMEWORK**

The drafting and adoption of a National Livestock Breeding Programme for the period 2009-2018 is foreseen, which will define the Guidelines for promotion and development of certain livestock breeding branches.

### **INSTITUTIONAL FRAMEWORK**

Further staffing of the Unit for Livestock Breeding within the Sector for Agriculture with 1 (one) new employee as well as of the State Agriculture Inspectorate is foreseen.

## **3.11.3 ORGANIC AGRICULTURAL PRODUCTION**

### **CURRENT SITUATION**

#### **LEGAL FRAMEWORK**

The Law on Organic Agricultural Production (Official Gazette of the Republic of Macedonia No 16/04) regulates the production, processing, trading, import-export, labelling, expert control and certification, programme for promotion and development of the organic agricultural production, surveillance, and penalty provisions. The Law is in compliance with the Council Regulation (EEC) No. 2092/91 on organic production of agricultural products and indications referring to agricultural and foodstuffs, and is partially harmonised with the EU legal acts 31992R0094; 32001R1788; 31998R1367; 31999D0468.

Pursuant to the law, the following three Rulebooks were adopted:

- Rulebook on organic animal production (Official Gazette of the Republic of Macedonia No 60/06),
- Rulebook on organic plant production (Official Gazette of the Republic of Macedonia No 60/06), and
- Rulebook on organic products processing (Official Gazette of the Republic of Macedonia No 60/06).

The following strategic documents define the development policy in this area: the Stabilisation and Association Agreement between the Republic of Macedonia and the European Communities and their Member States and the Strategy with an Action Plan for Biological Diversity Protection.

### **INSTITUTIONAL FRAMEWORK**

The following institutions are competent for preparation of the legal acts in the area of organic agricultural production:

- The Ministry of Agriculture, Forestry and Water Economy, as authority competent for organic agricultural production, setting and proposing policies related to this field;

- The Ministry of Environment and Physical Planning, as the institution competent for issuing licenses for export of products of self-sown plants and subsidiary forest fruits;
- The Ministry of Health is the institution competent for protection of human health and consumer protection against deceit;
- The Ministry of Economy is the institution in charge of regulating the turnover of the internal and external markets.

The following institutions are in charge of implementation of the regulations in the field of organic agricultural production, consumer protection, protection of human health, and trading in organic products:

- The Unit for Organic Agriculture, Sector for Agriculture within MAFWE with one employee is in charge of the following activities: development of policies for introduction and development of organic agricultural production, registration of the entities involved, monitoring and record keeping of the situation in the production, processing and trading in organic products, and cooperation with related governmental and non-governmental institutions and organisations;
- The State Agriculture Inspectorate, the State Market Inspectorate, the Food Directorate and the State Environment Inspectorate are bodies competent for surveillance and control of the implementation of the legislation in this area;
- The Ministry of Environment and Physical Planning is competent for sustainable use of natural resources through issuing licenses for exports and processing of certain plant varieties and their processed products, protection against extinction of endangered plant varieties by published lists of strictly protected species, and protection against pollution of waters, soil and biodiversity as a whole;
- The Ministry of Economy is in charge of consumer protection and inspection and surveillance of the implementation of the regulations related to the internal trade in organic products;
- The Ministry of Health is responsible for the protection of human health, which is defined in the Committees Codex Alimentarius;
- The Ministry of Finance is responsible for the implementation of the customs regulations through its Customs Administration;
- The Institute for Accreditation of the Republic of Macedonia is responsible for accrediting the bodies authorised for organic agriculture inspection and certification, as well as inspection and certification of organic products in accordance with the international criteria;
- The Institute for Standardisation of the Republic of Macedonia adopts the technical regulations (standards) in this area;
- The State Office of Industrial Property is in charge of registration of organic products trade marks;
- The Faculty of Agricultural Sciences and Food, as a scientific and educational institution, in its Department for Eco-agriculture educates staff in the field of organic production, prepares studies and analyses, participates in drafting legal acts and bylaws;
- The Agency for Promoting the Development of Agriculture provides appropriate services for producers and processors;
- Accredited bodies (authorised legal entities) for performing expert control in organic agricultural production;
- The Union of Organic Associations BIOSAN organises the associations and producers with a view to implementation of organic standards in the production, joint marketing and export.

## **SHORT-TERM PRIORITIES**

### **LEGAL FRAMEWORK**

In this period the adoption of the following 8 bylaws harmonised with the EU legislation in the field of organic production is foreseen:

- Rulebook on labelling of organic products,
- Rulebook on expert control and certification of systems for organic production and products,
- Rulebook on registration of organic producers,
- Rulebook on registration of processors of organic products,
- Rulebook on registration of traders of organic products,
- Rulebook on registration of authorised bodies for expert control in organic production;
- Rulebook on registration of authorised laboratories, and
- List of officially recognised certification bodies from third countries.

The following programme documents are foreseen to be adopted in the same period:

- Strategy for development of organic agricultural production
- National action programme for organic agricultural production
- Annual Programme for funding measures and activities in the field of organic agricultural production and Guidelines on the manner of using the measures, and
- Guidelines on the forms of organisation and association in the organic production.

Furthermore, the drafting of over 15 Manuals on organic agriculture is foreseen, authorised by international institutions – CIHEAM-IAM (Bari) and FIBL (Switzerland).

## **INSTITUTIONAL FRAMEWORK**

In terms of institutional strengthening, in this period, the following activities are foreseen:

- Further staffing of the Unit for Organic Agricultural Production with 1 (one) new employee, and
- Authorisation of bodies for performing expert control in the field of organic agricultural production, and
- Introduction of registers for organic production on national level.

## **MEDIUM-TERM PRIORITIES**

### **LEGAL FRAMEWORK**

Further harmonisation of the national legislation with the EU legislation is foreseen in this period as well as development of Programmes for support of organic agricultural production in accordance with the National Action Plan.

## **INSTITUTIONAL FRAMEWORK**

In terms of institutional strengthening, in this period, the following activities are foreseen:

- Further staffing of the Unit for Organic Agricultural Production with 2 (one) new employees, and
- Training in the area of organic production on more levels (institutional, production, marketing).

## **FOREIGN ASSISTANCE**

The foreign assistance in the area of organic agricultural production is realised through the Project for organic agricultural production in Macedonia (SDC-FIBL from Switzerland 2005-2008) and through realisation of part of the activities of the MAFWE Project for Structural And Legal Reforms (CARDS-2004).

## **3.11.4 WINE**

### **CURRENT SITUATION**

#### **LEGAL FRAMEWORK**

The legal framework of the wine production in the Republic of Macedonia is contained in the Law on Wine (Official Gazette of the Republic of Macedonia No 69/2004). Taking into account that from the 13 foreseen bylaws to the Law on Wine, only the Rulebook on the methods of partial dehydration of must and oenological methods and procedures applied in the wine production and the Rulebook on analysis methods for determining the chemical composition of wines and the method of use of refractometer (Official Gazette of the Republic of Macedonia No 38/2006) were adopted, whereas the remaining are in the adoption phase, part of the provisions referred to in the old Law on Wine (Official Gazette of the Republic of Macedonia No 27/1973) are still in force as well as the Rulebook on regionalisation of vineyards on conditions for producing and trading in grapes, must and wine and products made from grapes and wines, and determining the quality and protection of the geographic origin of wines and labelling in SR Macedonia (Official Gazette of the Republic of Macedonia No 27/1973);

The Law on Wine (Official Gazette of the Republic of Macedonia No 69/2004) regulates the production and trading in grapes and wine and other products made from grapes and wine, the national register of vineyards, rights and obligations of the legal and natural entities producing and trading in wines, the description, indication, marking, presentation, and protection of wine. The Law on Wine (Official Gazette of the Republic of Macedonia No 69/2004), as general frame regulating the sector, is in compliance with the EU measures, and in particular with Regulation 31999R1493 on common organisation of the market in wine (OJ L 179).

## **INSTITUTIONAL FRAMEWORK**

The Sector for Agriculture within the Ministry of Agriculture, Forestry and Water Economy is the competent body for drafting, proposing and implementation of the legislation in the area of wine production.

The implementation of the Law on Wine (Official Gazette of the Republic of Macedonia No 69/2004) is under the competence of the Unit for Viticulture, Wine Production and Fruit Growing (Sector for Agriculture), staffed with one (1) employee. In addition to the Unit for Viticulture, Wine Production and Fruit Growing, the State Agriculture Inspectorate within the Ministry of Agriculture, Forestry and Water, is directly responsible for surveillance over the implementation of the provisions in the Law on Wine. Within the Inspectorate, there is a Sector for inspection and surveillance in the field of fruit growing, viticulture, wine production and seedlings, consisting of 2 regional units and 1 unit for expert and administrative operations. Currently, the sector employs six (6) persons, out of which one is a head of a regional unit with 2 state inspectors – counsellors positioned in the regional units of the Ministry, and the employment of one head of the Unit for expert and administrative operations with 3 employed civil servants is foreseen.

The activities of inspection and surveillance of the trading in wine is carried out by the Food Directorate (Ministry of Health).

## **SHORT-TERM PRIORITIES**

### **LEGAL FRAMEWORK**

In addition to the two adopted rulebooks in the field of wine production, 12 additional bylaws will be adopted emerging from the Law on Wine (Official Gazette of the Republic of Macedonia No 69/2004) to ensure compliance with the EU legislation in the field of wine production. The rulebooks foreseen to be adopted as short-term priorities are the following:

- Classification of vine varieties for wine production,
- Rulebook on the form, the content and the dimensions of the wine label and other details on the label,
- Rulebook on the conditions regarding the premises and equipment for wine production,
- Rulebook on identification of vineyards and identification of producers,
- Rulebook on registering of the wine producers,
- Rulebook on the manner of registering the grape and wine quantities produced in the last harvest, stocks of grape and wine from the previous years and stocks of imported grape must and wine,
- Rulebook on the conditions regarding the premises and equipment of the authorised laboratories for oenological testing and analyses, and
- Rulebook on supply of marc and wine lees for distillation or vinegar production.

## **INSTITUTIONAL FRAMEWORK**

In the field of wine production the following short-term priorities are foreseen in terms of institution strengthening of the sector:

- Establishment of the first territorial database to introduce the National Register of Vineyards; part of the funds (for the Tikves region) have been provided through the Project “Vineyard Monitoring and Management System”, funded by the EU CARDS 2002 Programme and managed by the European Agency for Reconstruction;
- Procurement of equipment for operation of the National Vineyards Register on the entire territory of the Republic of Macedonia and
- Strengthening the capacity of the referent laboratory for testing the wine quality; the funds are provided by the EU CARDS 2006 Programme.

## **MEDIUM-TERM PRIORITIES**

### **LEGAL FRAMEWORK**

In addition to the 8 Rulebooks to be adopted in a short-term, in the field of wine production, the adoption of 4 additional rulebooks is foreseen as medium-term priorities, which will ensure full compliance with the EU legislation in the field of wine production. They are as follows:

- Rulebook on issuing planting approvals,
- Rulebook on accompanying documents and entry and exit registers for grape and wine products,
- Rulebook on division of regions planted with grapevine, and
- Rulebook on protection of wines with geographical indication, indication of their production regions and the method of their production.

Furthermore, priority in the field of wine production, which is obligation in accordance with Article 5 of the Law on Wine, is drafting and adoption of a Strategic document for marketing of Macedonian wines. It will be adopted by the end of 2008.

## **INSTITUTIONAL FRAMEWORK**

In the field of wine production the following medium-term priorities are foreseen in terms of institutional strengthening of the sector:

- Further staffing of the wine sector; employment of 12 persons within the Unit for Viticulture, Wine Production and Fruit Growing and in the regional units of the Ministry of Agriculture, Forestry and Water Economy;
- Completion of the territorial database and introduction of a National Vineyards Register; part of the funds will be provided through a project funded by the EU CARDS 2006 Programme, and 1.000.000 denars from the national budget are required.
- Establishment of a National Vineyards Register; the funds shall be provided through a project funded by the EU CARDS 2006 Programme, and managed by the European Agency for Reconstruction.

## **FOREIGN ASSISTANCE**

A project funded by the EU CARDS 2006 Programme is in the preparation stage concerning extension of the National Vineyards Register on the entire territory of the Republic of Macedonia.

## **3.11.5 TOBACCO AND TOBACCO PRODUCTS**

### **CURRENT SITUATION**

#### **LEGAL FRAMEWORK**

Currently, the Law on Tobacco and Tobacco Products (Official Gazette of the Republic of Macedonia No 24/06) is in force and under the competence of the Ministry of Agriculture, Forestry and Water Economy, the Ministry of Economy, the Ministry of Finance and the Ministry of Health through the Food Directorate. The Law regulates the primary production of raw tobacco, contract for tobacco production and purchase, purchase, storing, processing of the purchased tobacco leaves, trade of fermented tobacco, production and wholesale of tobacco products, monitoring the use of additives in the tobacco products, funding, tobacco and tobacco products control, supervision and penalty provisions.

On the basis of the Law on Tobacco and Tobacco Products (Official Gazette of the Republic of Macedonia No 24/06) 11 bylaws were adopted:

- Rulebook on the unique measurements for quality and quantity assessment of the raw tobacco leaves (Official Gazette of the Republic of Macedonia No 38/97, 110/2000)
- Rulebook on the form, the contents and the manner of issuing the cardboard for tobacco production;
- Rulebook on the size of the premises for purchase, storage, keeping and industrial processing of tobacco, suitable premises for storing the processed tobacco and suitable equipment for purchase and industrial processing of tobacco;
- Guidelines on the manner of application, the form and the contents of the application form for the contracted production of tobacco and the manner of keeping records of the purchased and processed tobacco quantities;
- Rulebook on the contents and the form of the application form for registering in the register of tobacco purchasers;
- Rulebook on the form, the contents and the manner of keeping the register of tobacco purchasers;
- Rulebook on the contents and the form of the application form for registering in the register of producers, importers and exporters of tobacco products ;
- Rulebook on the contents, the form and manner of record keeping on production, export, import and stocks of tobacco products and the manner of notification;
- Rulebook on the form, the contents and manner of keeping the register of producers, exporters and importers of tobacco products and the register of tobacco product brands and the form and contents of the application form for registering in the register of tobacco product brands;
- Rulebook on the conditions for export and import of tobacco products;
- Rulebook on the conditions for production of tobacco products;

Strategic document defining the policy and guidelines for development of the sector is the Strategy for Control of Tobacco, for the purpose of ensuring and improving the protection of the public health in the Republic of Macedonia 2005-2010.

## **INSTITUTIONAL FRAMEWORK**

The following institutions are competent for drafting the legal acts related to the tobacco production and industry:

- MAFWE, as the body competent for the tobacco production, setting and proposing policies in this field.
- The Chamber of Commerce of the Republic of Macedonia through its Association of Tobacco and Tobacco Products Producers participates in the drafting regulations related to the sector, by submitting proposals in their interest.
- The Ministry of Economy is the institution in charge of regulating the turnover of the internal and external markets.
- The Ministry of Finance, through the Public Revenue Office, is the institution competent for regulating the taxation and charges policy.

The following institutions are competent for implementation of the regulations in the area of tobacco production, tobacco industry, consumer protection, protection of human health, and trading in tobacco and tobacco products:

- The implementation of the legal acts related to this area is the responsibility of the MAFWE's Unit for Crop-production and Horticulture (Sector for Agriculture), with one (1) employee
- The Ministry of Economy is responsible for consumer protection.
- The Ministry of Health is responsible for protection of human health.
- The Ministry of Finance, through the Public Revenue Office is the institution competent for regulating the taxation and charges policy, and through the Customs Administration for the customs regulations.
- The Association of Tobacco Producers, which is the highest association in the country concerning implementation of the regulations in the field of tobacco production and purchase, gives its opinion on the contents of the contracts for production and purchase of tobacco concluded between the producers and purchasers; and obligatorily participates at the purchase of tobacco with its members, having the right to contest the price of tobacco.
- The following institutions carry out the inspection and supervision over the implementation of the provisions of this Law:
  - The State Agriculture Inspectorate, which conducts surveillance and control of the production, purchase, processing and trading in tobacco, of the producers and of traders;
  - The State Market Inspectorate, which conducts surveillance and control of the production and trading in tobacco products; and
  - The Food Directorate, which conducts surveillance and controls of the trading in tobacco products, the use of additives and the provisions on consumer protection.

## **SHORT-TERM PRIORITIES**

### **LEGAL FRAMEWORK**

Three bylaws will be adopted in this period, one by the Ministry of Agriculture, Forestry and Water Economy, and the remaining two are within the competence of the Ministry of Health:

- Rulebook on measurements for tobacco quality and quantity assessment,

- Rulebook on the form and contents of the application form for permitted additives, list of permitted and banned additives used in the tobacco products, and
- Rulebook on the wording of the warnings on the packages of the tobacco products put in circulation.

Draft programmes will be prepared for the purpose of funding the activities in the primary tobacco production, for additional funding of the primary agricultural production and for funding export promotions, which, according to the Law on Tobacco and Tobacco Product, will be adopted by the Government of the Republic of Macedonia.

## **INSTITUTIONAL FRAMEWORK**

To implement the Law and the related bylaws, it is necessary that 2 (two) persons are employed in MAFWE as well as training of the current human resources in terms of upgrading computer skills and training on introduction with the EU regulations related to the common agricultural market in raw tobacco. In addition, further staffing is foreseen in the State Agriculture Inspectorate (MAFWE) in this period.

## **MEDIUM-TERM PRIORITIES**

### **LEGAL FRAMEWORK**

The reforms in the tobacco production for the period 2008-2010 will be aimed towards establishing a Common Market Organisations for raw tobacco, provision of financial and technical assistance for organised tobacco producers, registration and control of the production of and trading in tobacco and tobacco products, and ensuring human health protection, protection of the environment, and finding ways to diversify the primary tobacco production.

In this period, amendments to the Law on Tobacco and Tobacco Products (Official Gazette of the Republic of Macedonia No 24/06) will be drafted; thus ensuring compliance with the EU legal framework in the areas of common market organisations for raw tobacco and inter-sectoral organisations as well as contracts in the tobacco sector.

## **INSTITUTIONAL FRAMEWORK**

With regard to the institutional reorganisation and strengthening, five (5) new officers are foreseen to be employed within the MAFWE in this period, responsible for the area of industrial cultures where tobacco is covered, with the following activities and duties: registration and records of the production and areas with tobacco, registration of tobacco purchasers, actions and procedures concerning obtaining licences for tobacco assessment, drafting measures for support of tobacco production and organisations of tobacco producers, monitoring the situation in the tobacco economy and cooperation with other competent governmental and non-governmental organisations. In addition, further staffing is foreseen in the State Agriculture Inspectorate (MAFWE) in this period.

## **3.11.6 INSPECTION AND SURVEILLANCE OF AGRICULTURE**

### **CURRENT SITUATION**

#### **LEGAL FRAMEWORK**

The State Agriculture Inspectorate, within the MAFWE is the body authorised for carrying out inspection and surveillance in the agricultural sector. The authorisations of the Inspectorate are provided for in the applicable laws and the related bylaws. Any amendments to these laws in the process of approximation to the EU acquis will result in changes in the competences and responsibilities of the State Agriculture Inspectorate in terms of its operational procedures, adequate capacity, and organisational set-up required for carrying out the competences delegated to it.

#### **INSTITUTIONAL FRAMEWORK**

The State Agriculture Inspectorate is part of the MAFWE, established pursuant to the Law on Organisation and Operation of the State Administrative Bodies (Official Gazette of the Republic of Macedonia No 58/00). The Inspectorate includes two sectors: the Sector for Inspection and Surveillance of Crop- production, Livestock Breeding, Fisheries and Land Policy and the Sector for Inspection and Surveillance of fruit growing, viticulture, wine production and seedlings.

The Sector for inspection and surveillance in the area of crop production, livestock breeding, fisheries, and land policy in the State Agriculture Inspectorate has a total number of twenty four (24) employees, out of which one (1) head of a sector, five (5) head of regional units, and eighteen (18) state inspectors - counsellors positioned in the regional units of the Inspectorate. The Sector conducts inspection and control of the laws and regulations from the aspect of their application in the area of crop-production, land policy, livestock breeding and fisheries; inspection and control of marketing of raw-materials (seeds, means of protection, fertilizers, premixes for feeding stuffs, fish, etc.).

The Sector for Inspection of Fruit Growing, Viticulture, Wine Production, and Seedlings employs 6 (six) persons, out of which 1 (one) head of regional unit with 2 state inspectors - counsellors positioned to the regional units of the Ministry and one head of the Unit for expert and administrative operations with two (2) employees. The Sector conducts surveillance and control of the laws

and regulations from the aspect of their application in the area of fruit growing, viticulture, wine production, and seedlings, inspection surveillance of the marketing of wine and raw materials.

The Inspectorates employs a total of 30 (thirty) persons. Its management is at a central level, whereas decisions are made at a local level as well. In the course of 2006, the State Agriculture Inspectorate was strengthened with 4 new employees.

### SHORT-TERM PRIORITIES

In accordance with the legal provisions eleven (11) new employments are planned. The further staffing of the Inspectorate will take place through transfer of staff from other institutions and through new employments for the purpose of bringing the Inspectorate closer to the EU inspection principles and methodologies. All employees in the Inspectorate will receive training on EU legislation in all sectors of the agriculture, along with the procedures, programmes and activities of inspection controls.

### MEDIUM-TERM PRIORITIES

In the period of 2008-2010, the part of the Inspectorate competent for agriculture is to be staffed with expert personnel of 51 new employees (a total of 66 to 2010, including 4 newly employed in 2006 and 11 newly employed in 2007). All employees in the Inspectorate will undergo training on EU legislation in all sectors of the agriculture, along with the procedures, programmes and activities of inspection controls.

### FOREIGN ASSISTANCE

The foreign assistance in the area of agricultural inspection is realised through the realisation of a part of the Project on Organic Agricultural Production (SDC-FIBL from Switzerland) and a part of the activities of the Project on Structural and Legal Reforms of the MAFWE (CARDS – 2004).

Foreign assistance is also foreseen in the area of inspection and surveillance of the wine production through a planned project funded by the EU 2006 CARDS Programme.

### INSTITUTION BUILDING REQUIREMENTS

BUDGETARY BENEFICIARY/ INSTITUTION	INSTITUTION/ SECTOR	Current status 31.12.2006	2007	2008	2009	2010	Total
14001: MAFWE: Ministry of Agriculture, Forestry and Water Economy	IV: Institute for Vine (Vine Quality Reference Laboratory)	0	0	0	0	0	0
	MAFWE: Directorate for Land/ Sector for Land Policy	3	3	4	4	4	15
	MAFWE: Sector for Agriculture (according to the Law on Organic Production)	0	1	1	1	0	3
	MAFWE: Sector for Agriculture (according to the Law on Agriculture and Rural Development)	15	1	1	1	0	3
	MAFWE: Sector for Agriculture (according to the Law on Tobacco)	1	1	1	1	2	5
	MAFWE: Sector for Agriculture (according to the Law on Vine)	1	0	2	4	4	10
	MAFWE: Sector for Agriculture (according to the Law on Husbandry)	0	1	1	1	0	3
	MAFWE: Sector for Agriculture Information System and Policy Analysis	0	5	5	4	4	18
	MAFWE: Sector for International Cooperation and European Integration	4	3	3	3	3	12
	MAFWE: Sector for Legal Affairs	3	3	2	2	1	8
	MAFWE: Sector for Rural Development	3	2	2	2	2	8
	MAFWE_IPARD: Payment Agency (Administration for Financial Support of Agriculture and Rural Development)	19	10	20	30	40	100
	SAI: State Agriculture Inspectorate/ Inspection Supervision according to all relevant laws	30	10	10	15	20	55
14001: MAFWE: Ministry of Agriculture, Forestry and Water Economy Total		79	40	52	68	80	240
14002: APDA: Agency for Promotion Development of Agriculture	APDA: Agency for Promotion Development of Agriculture - Bitola	126	0	0	0	0	0
14002: APDA: Agency for Promotion Development of Agriculture Total		126	0	0	0	0	0
<b>TOTAL</b>		<b>205</b>	<b>40</b>	<b>52</b>	<b>68</b>	<b>80</b>	<b>240</b>



## 3.12 FOOD SAFETY, VETERINARY AND PHYTOSANITARY POLICY

### 3.12.1 FOOD SAFETY AND CONTROL

#### CURRENT SITUATION

The main aim of the National policy for food safety of the Republic of Macedonia is development of an integrated system for food safety according to the principle 'from farm to fork', i.e. control of all stages of food production including primary production. The system of food safety and control in the Republic of Macedonia is under jurisdiction of several state administrative bodies: the Food Directorate within the Ministry of Health, the Veterinary Directorate, the Phytosanitary Directorate, the Seed and Planting Material Directorate and the State Agriculture Inspectorate for within the Ministry of Agriculture, Forestry and Water Economy.

#### LEGAL FRAMEWORK

The Law on Food Safety and Products and Materials in Contact with Food (Official Gazette of the Republic of Macedonia 54/02) is the basic legal act that regulates the conditions for providing food safety and materials in contact with food, in the production and in the circulation process, the rights and the obligations of the natural and legal persons in order to protect the human health, to protect the consumers from inaccuracy and deception and to provide free circulation of goods in the internal and external market, partly in compliance with the EU *acquis*. In the Law the following EU legal acts have been incorporated 31998L0004, 31992R2082, 31997R0258, 32000L0013, 32001L0018.

According to this Law *thirteen* bylaws have been adopted *harmonised* with the EU legislation that regulate the following fields: the form and the contents of the applications for opening production facilities and manner of record keeping, *food labelling*, special requirements concerning safety of infant dairy food, the manner of knowledge testing and issuing certificates for acquired basic knowledge for food hygiene and protection of the environment, the additives which can be used for food production, the general requirements for food safety, (MRL) pesticide maximum residue levels, heavy metals, mycotoxins, veterinary drugs and other components), sanitary and hygiene conditions for food production, special requirements concerning infant and children cereal-based food, natural mineral water safety, special requirements concerning safety of cocoa and chocolate products, special requirements for sugar safety, special requirements for safety of fruit juices and certain related products, special requirements concerning quick-frozen products.

Furthermore, Instructions on implementation of the HACCP System in the food production sector, Instructions on practicing proper hygiene in the food production industry, Instructions on basic food hygiene in catering.

The following **strategic documents** define the food safety policy:

- Strategy for adjustment of the Macedonian Agricultural Sector with the CAP of the EU,
- Strategic plan of the Ministry of Health – Food Directorate 2007-2009,
- National Strategy for Integrated Border Management,
- National Action Plan for Integrated Border Management.

#### INSTITUTIONAL FRAMEWORK

In accordance with the Law on Food Safety the institutions which are in charge of the implementation of the legal acts in the field of control and safety of food are the Ministry of Health - Food Directorate and the Ministry of Agriculture, Forestry and Water Economy - the Veterinary Directorate.

The Food Directorate as a body within the Ministry of Health has the competences for carrying out the expert and administrative matters in the field of food safety and products and materials that come in contact with food. The Veterinary Directorate as a body within the Ministry of Agriculture, Forestry and Water Economy carries out the matters that refer to the food of animal origin in coherence with the regulations for veterinary health and the general requirements provided for in the Law.

Commission for the Macedonian CODEX ALLIMENTARIUS is an expert advisory body (comprising 15 members and president), that considers issues that regulate the Macedonian CODEX ALLIMENTARIUS and the methods for food analysis based on international scientific findings.

The following institutions are included in the system of food control and safety: the Republic Institute for Health Protection, 10 regional units for health protection across the territory of the Republic of Macedonia, the Faculty of Veterinary Medicine - Food Institute, the Consumers Organisation of the Republic of Macedonia, the Ministry of Economy, the Ministry of Environment and Physical Planning and entities for food production.

The total number of employees in the Food Directorate is 75, working in 3 sectors and 12 units.

The training on the HACCP System of the state food inspectors, veterinary inspectors and of the producers as well as the training of trainers on the HACCP System (26 state food inspectors have completed their training on the HACCP System and on EU standards) is continuously maintained.

*Strengthening the cooperation between the institutions included in the food control*

- The Memorandum of Mutual Understanding and Cooperation between the Food Directorate, the Ministry of Health and the Veterinary Directorate, the Ministry for Agriculture, Forestry and Water Economy has been signed.

## **SHORT-TERM PRIORITIES**

**The Law amending the Law on Food Safety and Products and Materials in Contact with Food (Official Gazette of the Republic of Macedonia 54/02)** is drafted with the aim of further harmonisation of the national legislation with the EU legislation concerning the following EU legal acts: 320002R0178, 32004R0852, 32004R0882, 32004R0853, 32004R0853, 32000R0013 and 31997R0258. The general principles and competences, the risk assessment, communication and risk management, precaution and transparency principles, the regulations that refer to the food safety, the obligations of food operators and consumer protection, official food safety and quality control, keeping a register, permitting facilities to start production, storage, placing products on the market, export-import, accredited laboratories, crisis and emergencies management. By the end of 2007, 16 bylaws are planned to be adopted (See form 1, NPAA, Short-term priorities)

*Strengthening the cooperation between the institutions included in the food control*

- Adoption of a National Strategy for Food Safety.

*Enabling facilities for food processing with an aim to fulfil the EU requirements*

The process of harmonisation of the legislation will strengthen the current structure and establish new administrative structure towards support for food producers relating to the introduction of EU standards and wide application of the HACCP systems. *The processes of implementation and certification of the HACCP System in the production capacities in the Republic of Macedonia have started, in accordance with the legal regulation, harmonised with the EU legislation. The Implementation and certification of the HACCP System is, in part, funded by the budgeted funds granted to the Ministry of Economy.* In this context the following shall be drafted:

- Administrative procedures for carrying out official controls in processing facilities intended for their registration, approval and product certification,
- Technical check lists for official veterinary controls, including risk assessment and action plans for adjustment of conditions for registration,
- Manual for good hygiene practice and HACCP training of local veterinary inspectors and state food inspectors for keeping documentation of official controls of the food facilities,
- Programme for training and technical support aimed at improving the industry capacity to fulfil EU food safety requirements.

*Strengthening the capacities of the Food Directorate*

In the course of 2007, the employment of 25 new employees is planned in the Food Directorate.

*Training of the personnel is planned in the following fields of food safety:*

- EU legislation in the food sector;
- Procedures of inspection control of food and products and materials in contact with food;
- Risk analysis for food safety;
- Food dangers and their control;
- Epidemiology of diseases transmittable through food;
- Good hygiene practice;
- Water treatment and testing;
- Technological procedures for food processing;
- HACCP system and HACCP controls;
- Official certification systems;
- Risk management and communication with the EU countries;
- Legal procedures and implications from the official controls and taking minutes;
- Computer training;
- Continuous training of all inspectors from the food sector;
- Study visits by food inspectors in EU Member State.

The Food Directorate will be also strengthened with *additional sampling equipment* for quick detection for the state food inspectors and upgrading of the ICT systems (hardware and software) and a network connection of the regional units.

## MEDIUM-TERM PRIORITIES

Harmonisation of the national legislation with the EU legislation will continue by progressive adoption of the bylaws given in Form 1, NPAA, Short-terms priorities.

### *Strengthening the systems of food safety control through:*

- High level of implementation of HACCP by food producers (pursuant to the legal regulation, the implementation and certification of HACCP should be carried out in all facilities for food processing, production and trade not later than 31 December 2008);
- Upgrading the system for food safety control through accreditation of laboratories for food analysis (chemical, microbiological, GMO, and etc.);
- Preparation of annual training programs of the persons included in the official food control, emphasizing the HACCP.

## FOREIGN ASSISTANCE

A project is planned in the field of food safety within the framework of the CARDS 2006 Programme. At the same time, the implementation of a project from the bilateral Swedish aid (SIDA) and *Hellenic AID-WBCPN* is expected to start.

## 3.12.2 VETERINARY POLICY

### CURRENT SITUATION

#### LEGAL FRAMEWORK

This field is regulated by the following laws:

- *The Law on Veterinary Health* (Official Gazette of the Republic of Macedonia No. 28/98); this law is the primary law in the veterinary field in the Republic of Macedonia that regulates the animal health protection against diseases, protection against diseases that are transmittable from animals to human beings, veterinary and sanitary examination and control, veterinary protection and improvement of the environment and the nature, minimal mandatory degree of animal health protection against diseases, reimbursements and costs for animal health protection, organisation and carrying out the veterinary-health activity and other issues in the field of the veterinary health. This Law, among other things, defines the competences of the veterinary service as a whole as well as the rights and the obligations of each segment of the service structure and their responsibility. The Law is not approximated to the EU legislation;
- *The Law on Food Safety and Products and Materials in Contact with Food* (Official Gazette of the Republic of Macedonia No 54/02); (explained in the subsection Food Safety);
- **Law on Medicinal Drugs, Supplementary Treatment Substances and Medical Devices** (Official Gazette of the Republic of Macedonia No 21/98); this Law regulates the production, circulation and use of veterinary-medical preparations;
- **Law on Animal Identification and Registration** (Official Gazette of the Republic of Macedonia No 69/2004); this Law regulates the identification and registration of farm and other animals. This Law is approximated to the EU legislation.

The field of zoo-technology in the Republic of Macedonia at the moment is regulated with the Law on Livestock Breeding (Official Gazette of the Republic of Macedonia No 61/97), which regulates the breeding and the circulation of livestock, sheep, goats, pigs, horses, poultry, cuniculus and other animals of commercial importance, obtaining feedingstuffs, obtaining and putting into circulation of semen and embryos, the production and circulation of feed and other issues in the field of livestock breeding. The Law defines the competences of the legal entities in relation to the keeping of a Herd Book, selection and monitoring in the livestock breeding.

The **strategic documents** that define the veterinary policy and the development of the Veterinary Directorate are as follows:

- Business plan in the Veterinary Directorate,
- The MAFWE Strategic Plan 2007-2009,
- The National Strategy for Integrated Border Management with Action Plan ,
- International Animal Health Code of the OIE (International Office of Epizootics).

### INSTITUTIONAL FRAMEWORK

The Veterinary Directorate is responsible and competent for implementation of the administrative matters and monitoring inspection activities deriving from the abovementioned laws and bylaws in the field of safety of food of animal origin, healthcare of animals, protection against diseases transmittable from animals to human beings, veterinary-sanitary checks and control of products, raw materials and wastes of animal origin, prevention of animal reproduction, veterinary protection and improvement of the environment and the nature, minimum mandatory degree of animal health protection against diseases, organisation and carrying out veterinary-health activity, veterinary health control of feed and the products for animal feeding, production, circulation and use of medicines for veterinary use identification and registration of the animals and animal welfare.

There are six units within the Veterinary Directorate. The Veterinary Directorate projects a total number of 205 employees, from which 95 are already employed. As state veterinary inspectors in the regional offices there are 44 employees, and as border veterinary inspectors there are 12 employees.

The system for control of animal diseases and of safety of food of animal origin includes the laboratories within the Faculty of Veterinary Medicine which have started with accreditation procedures.

Through the CARDS Programme, equipment was procured for strengthening the inspection service, improving laboratory testing facilities as well as part of the equipment of the animal identification and registration system. Furthermore, laboratory equipment for avian plague testing has been procured.

### **Strengthening the capacity of the Veterinary Directorate**

The Veterinary Directorate was strengthened with 30 new employees.

#### **Training performed in the course of 2005/06**

- Procedures for checks on border inspection posts and in-situ training,
- Training of laboratory staff in relation with good laboratory practice and provision of quality,
- Epidemiology,
- Implementation of the principles on compulsory reporting of infectious diseases, general measures and procedures for eradication of infectious diseases,
- General guidelines concerning the contingency plans for urgent activities in case of occurrence of infectious diseases,
- Workshops for introduction of the new package of legal acts to be adopted and new procedures for official controls,
- HACCP, GMP.

### **SHORT-TERM PRIORITIES**

#### **LEGAL FRAMEWORK**

In 2007 the following law and bylaws are planned to be adopted:

- **Basic Law on Veterinary Health**, as well as bylaws deriving thereof included in Form 1, NPPA Short-terms Priorities,
- **Amendments to the Law on Animal Identification and Registration** and the Rulebook on sheep and goats identification and registration,
- **The Law on Public Veterinary Health**,
- **The Law on Animal Welfare**,
- **The Law on Waste and By-products of Animal Origin**

#### *Strengthening the Veterinary Directorate capacities*

##### *Training*

The training of the employees of the Veterinary Directorate will be carried out in the field of the harmonised EU legislation, implementation of the official control procedures included in the new package of laws in the field of veterinary.

##### *Equipment*

Development of an IT system for network connection and exchange of information and establishing databases is planned, including introduction of the systems compatible with the EU IT systems foreseen with the third phase of the I and R Project, which is to start in May 2007.

#### *Human Capacities Strengthening of the Veterinary Directorate*

The Veterinary Directorate will be strengthened with 20 new employees.

### **FOREIGN ASSISTANCE**

The short-term priorities will be supported with the CARDS Projects: Structural and Legal Reforms of the Ministry of Agriculture, Forestry and Water Economy, veterinary component and the Project: Animal Identification and Registration.

### **MEDIUM-TERM PRIORITIES**

#### **LEGAL FRAMEWORK**

The following are foreseen to be adopted:

- Law on Animal Feeding,
- Law on Veterinary Medicinal Products

*Adoption of bylaws deriving from the Law on Veterinary Health is planned, included in Annex 1.*

*Adoption of bylaws deriving from the Law on Veterinary Public Health is planned, included in Annex 1*

*Adoption of bylaws deriving from the Law on Animal Welfare is planned, included in Annex 1*

*Adoption of bylaws deriving from the Law on Animal By-Products is planned, included in the Annex 1*

*Adoption of bylaws deriving from the Law on Veterinary –Medicinal Preparations is planned, included in Annex 1*

### **Strengthening the capacities of the veterinary services**

#### *Training*

Training of the veterinary inspectors for the introduction of a system for control of the production, circulation and the use of the veterinary medicinal preparations, of a system for control of production, circulation and use of feed, continuing the training on eradication/control of other infectious diseases, plans for urgent activities in case of occurrence of infectious diseases, safety of food of animal origin

- Introducing of position- authorised veterinarian,
- Upgrading the system for animal registration and identification with IT equipment and training on data base management
- Establishing a system for collection and treatment of animal by-products

#### *Human Capacities Strengthening of the Veterinary Directorate*

In the period from 2008 to 2010 the employment of approximately 50 persons is required in the Veterinary Directorate for accomplishing the foreseen systematisation in the units, and in particular in the Unit for veterinary inspection as veterinary inspectors in the regional offices and border veterinary inspectors.

### **FOREIGN ASSISTANCE**

Financial and technical assistance is required for a system for collection and treatment of animal by-products, equipment for testing laboratories, training of the staff.

Implementation of a CARDS 2006 project is planned in the field of animal identification and registration and a CARDS 2006 regional project for integrated border management.

## **3.12.3 PHYTOSANITARY POLICY**

### **CURRENT SITUATION**

For the purpose of providing safe food of plant origin, achieving higher level of food control and complete consumer protection, a single Phytosanitary System in the Republic of Macedonia was established.

### **LEGAL FRAMEWORK**

This area is regulated by the following laws:

#### **Law on Plant Health (Official Gazette of the Republic of Macedonia No. 29/05)**

This Law regulates the plant health, measures and obligations related to the occurrence of organisms harmful to plants, measures for eradication, biological measures for plant protection, exchange of information and information system, costs and reimbursements, competence of the authorities, competent services, authorities and bodies in the field of plant health, and other matters concerning plant health. This Law is based on the Council Directive 2000/29/EEC.

#### **Law on Plant Protection (Official Gazette of the Republic of Macedonia No. 25/98)**

With the adoption of the Law on Plant Health (Official Gazette of the Republic of Macedonia No 29/05), the provisions that refer to the plant protection against diseases, pests and weed, the health control of plants in the internal circulation and the cross-border circulation are repealed, whereas the provisions that remain refer to the production, circulation and use of the means for plants protection, equipment and the measures for preventing harmful consequences from the use of the means for plants protection of the human and animal health, the environment and nature. (These provisions will apply until the adoption of the Law on Plant Protection Products, planned to be adopted by the end of 2007, harmonised with the Directive 91/414/EC) as well as the provisions concerning agricultural sowing seeds for seed production, forest plantation for production of forest seed, facilities for production of planting material for multi-annual agricultural and forest plants and circulation of seed and planting material.

**The Law on Seed and Planting Material for Agricultural Plants (Official Gazette of the Republic of Macedonia No 39/2006)**, harmonised with EU Directives. This Law regulates production, control, finishing production, certification, labelling, trade, import and export of seed and planting material from agricultural plants. Furthermore, this Law regulates the procedure on approval of new varieties in the Republic of Macedonia, post-control of propagating material, holding the original samples in a gene bank, approval of public authorisations for performance of certain activities in terms of seed and planting material aimed at obtaining

quality seed and planting material, adoption of an Annual Programme on seed and planting material as well as other activities in the area of seed and planting material.

**Strategic documents** that define the phytosanitary policy and the directions for the development in this field are as follows:

- The International Plant Protection Convention ;
- The International Convention for the Protection of New Varieties of Plants (UPOV);
- The Standards of the European Plant Protection Organisation ;
- The Strategy for Adjustment of the Macedonian Agricultural Food Sector with the CAP;
- The National Strategy for Integrated Border Management with Action Plan;
  - The Strategy for Adjustment of the Macedonian Agricultural Food Sector with the CAP;
  - The Strategic Plan 2007-2009 of the Ministry of Agriculture, Forestry and Water Economy.

## **INSTITUTIONAL FRAMEWORK**

The Phytosanitary Directorate and the Seed and Planting Material Directorate within the Ministry of Agriculture, Forestry and Water Economy are in charge of the implementation of phytosanitary policy. The current number of employees in the Phytosanitary Directorate is 28, of which 10 on border inspection posts; the control is done by 16 phytosanitary inspectors and two local inspectors, 3 counsellors, regional reporters and competent institutions for monitoring of the health situation of the plants in the Republic of Macedonia. The current number of employees in the Seed and Planting Material Directorate is 6.

In accordance with the Law on Plant Health, the State Phytosanitary Laboratory is established to conduct diagnostics and determination of harmful organisms, analysis of physical and chemical characteristics of the plant protection products, analysis of active substances, as well as biological examinations in certain fields of the phytosanitary legislation. The laboratory is in the course of staffing. The Institute for Agriculture – Skopje, the Institute for Southern Crops – Strumica, the Tobacco Institute – Prilep, the Faculty of Agricultural Sciences and Food and SPL – the State Phytosanitary Laboratory within the Ministry of Agriculture, Forestry and Water Economy are engaged in some of the activities of the Seed and Planting Material Directorate.

The inspection supervision and control of the production, circulation and use of plant protection products as well as of the seed and planting material for agricultural plants is carried out by 26 state agriculture inspectors from the State Agriculture Inspectorate within the Ministry of Agriculture, Forestry and Water Economy.

The inspection supervision and control in the area of seed and planting material is carried out by the State Agriculture Inspectorate in the primary plant production and in internal trade and phytosanitary rights on the border inspection points.

## **SHORT-TERM PRIORITIES**

### **LEGAL FRAMEWORK**

- Adoption of the Law on Plant Protection Products
- Adoption of bylaws deriving from the Law on Plant Health: List of harmful organisms, registration of producers and importers of plants and plant products and orders for control of potato diseases.
- The adoption of bylaws deriving from the Law on Seed and Planting Material in line with the Directives: 31966R0401, 31966R0402, 31968R0193, 31992R0033, 31992R0034, 31998R0056, 32002R0053, 32002R0054, 32002R0055, 32002R0056, 32002R0057.

Furthermore, in 2007 the procedure for ratification of the International Convention for the Protection of New Varieties of Plants (UPOV) will start.

### ***Strengthening the capacities of the phytosanitary system***

- Drafting a plan for development of the institutional capacity of an integrated phytosanitary system;
- Training for transposition of EU measures in the Law on Plant Health;
- Establishing an IT system for exchange of information among the responsible services and establishing a database of the granted authorisations;
- Continuous training of the personnel within the Phytosanitary Directorate (phytosanitary inspectors, regional reporters, and the administrative personnel)
- Staffing of the Phytosanitary Directorate with 27 new employees;
- Staffing of the Seed and Planting Material Directorate with new employments followed by staff education in the Directorate;
- Establishing information system for exchange of information between the competent institutions and providing a database;
- Technical strengthening of the Seed and Planting Material Directorate intended for prompt and efficient performance of the activities deriving from the legal regulations;
- Adoption of annual programmes, information, rules of procedures and other activities.

## MEDIUM-TERM PRIORITIES

- Adoption of a Law on Protection of New Agricultural Plant Varieties  
This Law will regulate the procedure for protection of new varieties, protection of the holder of the author or of the creator of the variety, the method of performing DUS tests, control of the protected variety during the protection period, regulation of the costs concerning the procedure and the performing DUS tests, keeping the original samples of the protected variety in a gene bank as well as regulation of other rules in the area of new variety protection.
- Adoption of the Law on Fertilisers and its bylaws;
- Adoption of bylaws deriving from the Law on Protection of New Agricultural Plant Varieties (included in the table given in Form 1, NPAA).
- Adoption of bylaws deriving from the Law on Plant Protection Products;
- Adoption of other acts deriving from the Law on Seed and Planting Material (included in the table given in Form 1, NPAA);
- Registration of producers and importers of plant and plant products;
- Issuing plant passports;
- Introducing a concept for protected zones and training of the staff on the protected zones requirements;
- Training of the staff on risk assessment of the files submitted for authorisation;
- Drafting bylaws in the area of residue monitoring;
- Continuous training of the staff of the Phytosanitary Directorate (phytosanitary inspectors, regional reporters, and the administrative personnel);
- Organisation of monitoring according to the EU on the determined harmful organisms;
- Education of the staff concerning conduct of control and post-control of sowing seeds in line with the OECD schemes (International Organisation on post-control tests for identifying the identity and purity of the variety).
- Accreditation of the State Phytosanitary Laboratory in the area of seed and planting material in line with ISTA (International Seed Testing Association);
- Participation at the International meetings organised by UPOV, ISTA and OECD intended for monitoring all regulations that apply;
- Accreditation of the laboratory for pesticide analysis in line with ISO 17025 and training of the staff on pesticide analysis;
- Defining a list on national maximum residue levels compatible with EU values;
- Establishing laboratory for residues and its accreditation in accordance with ISO 17025 and training of the staff on residue analysis

## FOREIGN ASSISTANCE

To perform all short and medium-term activities, projects on financial support from the Budget of the Republic of Macedonia and foreign assistance should be foreseen.

Necessary foreign assistance for expert staff training for:

- Approximation of regulations,
- Phytosanitary inspection,
- Introduction of registers and issuing plant passports;
- Monitoring, diagnostics and determination of plant harmful organisms;
- Authorisation procedure for plant protection products;
- Control and testing of the equipment for application of plant protection products;
- Standards for fertilizers.

## INSTITUTION BUILDING REQUIREMENTS

BUDGETARY BENEFICIARY/ INSTITUTION	INSTITUTION/ SECTOR	Current status 31.12.2006	2007	2008	2009	2010	Total
14001: MAFWE: Ministry of Agriculture, Forestry and Water Economy	Ph_LAB: State Phytosanitary Laboratory	1	10	5	5	5	25
	PhA: Phytosanitary Administration	28	10	10	10	20	50
	SAI: State Agriculture Inspectorate	0	3	3	3	3	12
	SPMD: Seed and Planting Material Administration	9	3	2	2	2	9
	VA: Veterinary Administration	74	10	10	20	20	60
14001: MAFWE: Ministry of Agriculture, Forestry and Water Economy Total		112	36	30	40	50	156
19001: Ministry of Health	C_CODEX: Commission for Food Codex	16	0	0	0	0	0
	FD: Food Directorate	75	5	5	10	15	35
19001: Ministry of Health Total		91	5	5	10	15	35
<b>TOTAL</b>		<b>203</b>	<b>41</b>	<b>35</b>	<b>50</b>	<b>65</b>	<b>191</b>

## 3.13 FISHERIES

### 3.13.1 FISHERIES AND AQUACULTURE

#### CURRENT SITUATION

##### LEGAL FRAMEWORK

The entire fishing in the Republic of Macedonia takes place in freshwater fishing areas and pools. The Law on Fisheries (Official Gazette of the Republic of Macedonia No. 62/93) is the basic act regulating this area and refers to the usage, management and protection of the fish stock in the fishing waters. However, the current national legislation is not in line with the EU measures related to the structural and market policies, the fisheries, and aquaculture information system.

Therefore, activities for drafting a new Law on Fisheries and Aquaculture is in its course. The working text of the Law has been drafted and submitted for opinion to all relevant stakeholders in the field of fisheries. After integrating the possible remarks in the text and following the public debate held thereon, the Draft Law was submitted for procedure within the Government of the Republic of Macedonia in December 2006.

##### INSTITUTIONAL FRAMEWORK

The Ministry of Agriculture, Forestry and Water Economy, Unit for Livestock Breeding (Sector for Agriculture), currently staffed with one (1) employee is in charge of drafting, proposing and implementing the legal regulation and dealing with the administrative and expert issues in the area of fisheries.

Besides the above mentioned Unit for Livestock Breeding, the State Agriculture Inspectorate, a body within the Ministry of Agriculture, Forestry and Water Economy, is directly responsible for supervising the implementation of the provisions referred to in the Law on Fisheries. The Inspectorate also includes a Sector for inspection and supervision in the area of agriculture, livestock breeding, fisheries, and land policy, with a total staff of twenty four (24) employees, out of which one head of sector, five (5) heads of regional units, and eighteen (18) state inspectors in six (6) regional units of the sector.

#### SHORT-TERM PRIORITIES

##### LEGAL FRAMEWORK

Most of the legislation of the common fisheries policy such as the technical rules, quotas, fleet register, vessels monitoring system, etc. is inapplicable in the Republic of Macedonia due to the fact that the country has no access to sea. Yet, the new Law on Fisheries and Aquaculture and its bylaws will align the national legislation with the EU law in the areas applicable for the Republic of Macedonia, such as: resources management, inspection and control, structural and market policies, and information dissemination.

The adoption of the Law on Fisheries and Aquaculture in 2007 shall cover the EU measures regulating the field of fisheries and aquaculture in EU and are of importance for the Republic of Macedonia. In 2007 the bylaws referring to the Law on Fisheries and Aquaculture shall be adopted, in the following areas:

- Resources management – bylaws on: (1) determination of fishing areas, zones and pools and recreational zones, (2) commercial fisheries, (3) recreative and sports fishery, (4) equipment, tools and other means of fishery, (5) manners and conditions of designation of competent institutions for fisheries.
- Inspection and Control – bylaws on control in fishery.
- Structural and Market Policies – bylaws on: (1) conditions, manner and procedure related to the use of assistance in the fisheries and aquaculture, (2) payment of compensations and damages in fishery, (3) fish and fish products quality, (4) forms of organisation and association in fishery.
- Information dissemination – bylaws on record keeping in fishery.

##### INSTITUTIONAL FRAMEWORK

For the purposes of smooth implementation of the planned activities concerning the drafting of the legal regulation, additional employment of one executive officer in the area of fisheries is foreseen as well as setting up a Unit for Fisheries within the Sector for Agriculture. The State Agriculture Inspectorate, for more efficient supervision and control in this field, has foreseen employment of 4 fishery inspectors.

Moreover, for the purpose of realisation of the activities and the responsibilities in the field of fisheries, relevant institutions shall be authorised and appointed and the relevant working bodies shall be in 2007, pursuant to the law.



## MEDIUM-TERM PRIORITIES

### LEGAL FRAMEWORK

Following the completion of the analyses of the fish stock in the fishing waters, the legal obligation to draft the fishery basis shall be continuous activity within the period to 2010.

### INSTITUTIONAL FRAMEWORK

Taking into consideration that in the period following the transposition of the EU legislation in the field of fisheries and aquaculture it will be necessary to monitor structural and market policies, and information dissemination and unimpeded performance of the activities emerging from the harmonised regulation, additional employment of one executive officer in the field of fisheries and aquaculture has been foreseen within the Unit for Fisheries, in 2009,.

Furthermore, for the purpose of more efficient supervision and control in this field, it is foreseen to employ 4 fishery inspectors within the State Agriculture Inspectorate.

In 2008, a unique ICT system shall be set up for monitoring the structural and market policies and for information dissemination in the field of fishery.

### INSTITUTION BUILDING REQUIREMENTS

BUDGETARY BENEFICIARY/ INSTITUTION	INSTITUTION/ SECTOR	Current status 31.12.2006	2007	2008	2009	2010	Total
14001: MAFWE: Ministry of Agriculture, Forestry and Water Economy	MAFWE: Sector for Agriculture/ Unit for Cattle Breeding (fisheries)	1	1	0	1	0	2
	SAI: State Agriculture Inspectorate /Control of Fisheries	0	2	1	1	1	5
14001: MAFWE: Ministry of Agriculture, Forestry and Water Economy Total		1	3	1	2	1	7
<b>TOTAL</b>		<b>1</b>	<b>3</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>7</b>

## **3.14 TRANSPORT POLICY**

### **3.14.1 ROAD TRANSPORT**

#### **CURRENT SITUATION LEGAL FRAMEWORK**

##### **Law on Road Transport**

The Law on Road Transport (Official Gazette of the Republic of Macedonia No.68/04 and 127/06) entirely regulates the conditions and manner in which the transport of passengers and goods is carried out in inland and international road transport. The latest amendments entirely regulate the procedure and manner of examination for obtaining certificate for managers or manager's authorised person responsible for transport and drivers engaged in international transport of passengers and goods. According to the solutions foreseen by the amendments the training for obtaining a certificate for professional competence and certificate for drivers to be engaged in international road transport is carried out by legal persons authorised by the Minister for Transport and Communications who fulfill the conditions as prescribed by the law. Such solutions create conditions for initiating a procedure on obtaining a license for separate types of road transport.

The Law transposes several directives and regulations of the Council of the European Union which regulate certain issues in the field of road transport of passengers and goods such as: Directive 96/26/EC; Directive 84/647/EEC; Regulation (EEC) No.56/83; Regulation (EEC) No.684/92; Regulation (EEC) No.881/92; Regulation (EEC) No.3118/93; Regulation (EC) No. 792/94; Regulation (EC) No.3315/94; Regulation (EC) No.12/98; partially Regulation (EC) No 2121/98.

##### **Law on Public Roads**

The Law on Public Roads (Official Gazette of the Republic of Macedonia No. 26/96; 40/99; 96/00; 29/02; and 68/04) regulates the conditions and manner of construction, reconstruction, maintenance, preservation, use, management, funding of public roads as well as supervision. Among the more important issues, the Law regulates: categories of roads, competences, sources of funds and allocations among entities responsible for the road network, adoption of medium-term and annual program for construction, reconstruction and maintenance of roads, competences for granting concessions and other.

##### **Law on Carriage of Dangerous Goods**

The Law on Carriage of Dangerous Goods (Official Gazette of the Socialist Federal Republic of Yugoslavia No. 27/90 and No.45/90) and (Official Gazette of the Republic of Macedonia No.12/93) regulates the conditions for transport of dangerous goods (preparation of goods, loading, transport, transport manipulations, unloading, transport safety, vehicle equipping and staff training) as well as supervision of enforcement of the law.

The Law implements the Directive 31989L0684 concerning vocational training of drivers engaged in road transport of dangerous goods.

##### **Law on Road Transport Safety**

The Law on Road Transport Safety (Official Gazette of the Republic of Macedonia No.14/98, 38/02 and 38/04) completely determines the conditions which have to be met by the vehicles engaged in road transport, the devices and equipment which have to be owned by the vehicles, dimensions, overall mass and axis weight of vehicles, the conditions for obtaining a driving license and the form and application form of the driving license, verification and technical control of vehicles, registration of vehicles and application form of the traffic license etc.

#### **INSTITUTIONAL FRAMEWORK**

The competent authorities for implementation of activities related to the transport of passengers and goods in domestic and international road transport are: the Ministry of Transport and Communications, the State Transport Inspectorate, the Customs Administration and the local self- government units.

The Ministry of Transport and Communications is a state authority responsible for policy-making and implementation of the road transport policy. Activities in this field are carried out by:

- Unit for Road Transport of Goods – six persons
- Unit for Transport of Passengers – three persons

The State Transport Inspectorate is an authority within the Ministry and it employs 34 state inspectors for road transport. It is a control authority responsible for inspection and supervision of the work of the legal and natural persons registered for road transport of passengers and goods.

The competent authorities for implementation of the Law on Public Roads are: the Ministry of Transport and Communications, the Fund for National and Regional Roads of the Republic of Macedonia, the Public Enterprise "Makedonijapat" and the local government units as institutions competent for local roads and streets. For more information, see Chapter 3.21.1, point 1.4.

The competent institutions for implementation of the legislation in the field of carriage of dangerous goods, apart from the Ministry of Transport and Communications are the Ministry of Interior, the Ministry of Health, the Ministry of Environment and Physical Planning and Radiation Safety Directorate. There is a Unit for Carriage of Dangerous Goods within the Sector for Land Transport in the Ministry of Transport and Communications which employs two persons.

The competent authority for implementation of the activities related to road transport safety and control is the Ministry of Interior within which there is a Sector for Traffic Affairs employing seven persons. The implementation process is carried out through the police stations and police units for road safety.

## SHORT-TERM PRIORITIES

### LEGAL FRAMEWORK

#### Law Acts

In the second quarter of 2007 adoption of **a new Law on Public Roads** is envisaged. Apart from determining the basic conditions as stipulated by the existing law, this law shall provide for: keeping records on roads as public goods in ownership of the state; maintaining of roads, intersections and junctions; regulating road connections, ensuring minimal safety of tunnels, defining responsibilities of inspectors.

In the third quarter of 2007 adoption of **a new Law on Carriage of Dangerous Goods in Road and Railway Transport** is envisaged which aims to improve the services for users and introduce measures for stimulation of transport safety as well as to determine all appropriate means and activities within the activities of enterprises including the control of implementation of such activities in accordance with rules applied in the most possible secure manner.

The Law is to be partially harmonised with the provisions of Annexes of the Directive 31994L0055 which, inter alia, concern the vocational training for drivers engaged in road transport of dangerous goods.

In the second quarter of 2007 adoption of **a new Law on Road Transport Safety** is envisaged. The new law is to transpose the following EU measures: 31992L0006; 31985L3821; 31989L0459; 31991L0439; 31991L0671; 31996L0053; 31996L0096; 32000D275; 31985R3820; 31985R3821; 31998R2135; 31988L0599; 32002L0015; 31999L0037; 31994L0072; 31996L0047; 31997L0026; 32000L0056; 32001L0011; 32001L0092; 32002L0085; 32003L0020; 32003L0059; 32003D0425; 32003L0020; 32003L0127; 32004L0011.

#### Bylaws

Based on **the Law on Road Transport** adoption of the following bylaws is envisaged during the first quarter of 2007.

- Rulebook on special technical and exploitation conditions to be met by the vehicles for certain types of transport including the form and contents of the receipt for meeting conditions. 31991L0671 and 32003L0020 shall be transposed.
- Rulebook on the form and contents of travel order.
- Rulebook on the form and contents of license for certain types of public road transport and manner and procedure on obtaining and revoking license. 31996L0026 shall be transposed.
- Rulebook on the manner, procedure and program on examination for certificate for professional competence of manager or manager's authorised person responsible for transport, form and contents of the document for passing examination and certificate for professional competence. 31996L0026 shall be transposed.
- Rulebook on the manner, procedure and program on examination for certificate for drivers engaged in international road transport, form and contents of the document for passing examination and the certificate. 31996L0026 shall be transposed.

Other rulebooks which are envisaged define:

- Form and contents of travel order and license for municipal line transport of passengers
- Criteria for approval of itineraries for new lines and change of approved lines in inter-municipal and international transport of passengers.
- Register for issued licenses for international lines.
- License for special line transport of passengers and free transport of passengers in international road transport.
- Other technical details.

During 2007 adoption of **Decision on determination of amount and terms of payment of charges for use of road infrastructure** is envisaged. The decision is to be harmonised with the following EU measures: 31999L0062; 32004L0052.

Based on the Law on Carriage of Dangerous Goods in Road and Railway Transport, the following bylaws are envisaged to be adopted in 2007:

- Rulebooks for councilor for safety of carriage of dangerous goods and vocational training of drivers of motor vehicles, with which, among others, are to be prescribed duties and responsibilities of the councilor for safety and the drivers of dangerous goods, their vocational training and conditions to be met by the legal persons performing vocational training.

- Rulebooks on the form, contents and submission of application for transport of explosives, toxins or contagious and radioactive goods as well as on the list of checks for purpose of inspection and supervision during the transport of dangerous goods.

Upon adoption of a **new Law on Road Transport Safety** in 2007, most of the bylaws regulating the transport safety are to be adopted and amended.

## INSTITUTIONAL FRAMEWORK

It is envisaged that the capacity of existing institutions is build up with new employments, technical equipment and provision of training for the employees for preparation and implementation of the legal regulations in this field.

In the Ministry of Transport and Communications – the Sector for Land Transport develops **employment of two persons** is envisaged as well as technical equipment for one office.

During 2007 in accordance with the conditions prescribed by the Law on Road Transport legal persons are to be engaged for purpose of training for obtaining a certificate for professional competence and training for obtaining certificate for drivers engaged in international road transport. Upon this, the procedure for obtaining licenses for certain types of road transport is to begin.

In 2007 a development of database is planned as regards the transport companies dealing with international transport of passengers and goods for purpose of documentation of transports to and from the EU countries as well as third countries. The software is designed not only to keep statistical records on transports but also to enable the monitoring of issue and use of international transport licenses.

## MEDIUM-TERM PRIORITIES

### INSTITUTIONAL FRAMEWORK

In the Sector for Land Transport within the Ministry of Transport and Communications it is envisaged one person to be employed in 2008 and 2009, respectively.

## 3.14.2 RAIL TRANSPORT

### CURRENT SITUATION

#### LEGAL FRAMEWORK

**The Law on Railways** (Official Gazette of the Republic of Macedonia No. 64/05) regulates the organisational structure of the railway system, the manner and conditions for carrying out railway transport, construction, reconstruction, repair, maintenance and preservation of railway infrastructure as well as access to the railway infrastructure, conditions for concessions for a new construction or management of entire or part of the railway infrastructure, financing railway infrastructure, provision of services of public interest and supervision. The Law is harmonised with the following directives 319991L0440; 32001L0012; 32001L0013; 32001L0014; 32004L0049.

**Law on Transformation of the Public Enterprise “Macedonian Railways”- UnLtd Skopje** (Official Gazette of the Republic of Macedonia, No.29/05) regulates the transformation of the Public Enterprise “Macedonian Railways”- UnLtd Skopje, i.e. transformation and privatisation of one part, by division of the existing Public Enterprise “Macedonian Railways”- UnLtd Skopje into two new entities.

- Public Enterprise for Railway Infrastructure “Macedonian Railways”- an institution which determines the infrastructure charges and allocates the infrastructure capacity and
- Joint Stock Company for Transport “Macedonian Railways Transport JSC” Skopje.
- The Law is harmonised with the following directives: 31991L0440; 32001L0012.

### INSTITUTIONAL FRAMEWORK

The Ministry of Transport and Communications is responsible authority for the policy-making, making proposals on laws and adoption of bylaws in the field of railway transport and infrastructure.

In accordance with the amendments of the Act on Systematisation, within the Ministry of Transport and Communications **the Sector for Railways** was formed as a regulatory body, safety authority and an authority for issue of license for public transport and decision on safety of passengers as well as the license and decision on managing railway infrastructure. The new Sector is formed due to the fact that until the Agency for Railway Transport is established by the 1<sup>st</sup> of January 2009 at the latest by a separate law, the activities are delegated to the Ministry of Transport and Communications. Within this Sector there are two units: the Unit for Railway Transport and the Unit for Railway Infrastructure. In accordance with the Act for systematisation for

employment posts, a total of 14 persons are to be employed. Presently, there are 4 employees engaged in activities in the field of railway transport.

## **SHORT-TERM PRIORITIES**

### **LEGAL FRAMEWORK**

During the first quarter of 2007 the **Law on Railway Transport Safety** is to be adopted regulating the rules and conditions for safe, orderly and uninterrupted railway transport on the territory of the Republic of Macedonia. The EU measure that will be implemented is: 32002L0049.

During the first quarter of 2007 the **Law Amending the Law on Railways** is to be adopted. The amendments of the Law on Railways provide for further harmonisation with the legislation of the European Union concerning the conditions for obtaining license for legal person managing the railway infrastructure and the conditions for obtaining decision on safety for managing railway infrastructure as well as the conditions for obtaining license for public transport and decision on safety of legal persons dealing with railway transport (railway carriers).

The amendments of the law include an article which for the first time provides for a **combined transport of goods**.

During 2007 the **Law on Contracts for Carriage by Railways** is planned to be prepared and adopted. The Law shall be aligned with the Convention for International Carriage by Rail (COTIF), which encompasses the uniform CIV rules (Contract for International Carriage of Passengers and Luggage by Rail) and CIM rules (Contract for International Carriage of Goods by Rail )

### **Bylaws**

The bylaws are to be prepared within six months as from the entry into force of the Law Amending the Law on Railways and the Law on Railway Transport Safety.

### **INSTITUTIONAL FRAMEWORK**

Capacity building is foreseen for the Sector for Railways by new employments, technical equipment and provision of training for the employed in drafting and monitoring the legal regulations in this field.

By the end of 2007 3 **new employments** are planned, distributed in the Unit for Railway Transport and Unit for Railway Infrastructure, as well as technical equipment for offices.

As regards the necessary **training** in drafting and monitoring the legal regulations in this field, it is foreseen that domestic experts and experts through TAIEX Program are engaged for training of persons who participate in drafting of the laws and bylaws for purpose of their harmonisation with the legislation of the European Union, in the area of gathering information for preparation of common safety indicators, prescribing and adoption of common safety methods and their revision, prescribing and adopting of common safety goals and their revision and defining conditions and elements of safe management system.

According to the Law on Railway Transport Safety aligned with the requirements of the Directive 32002L0049, an independent Commission shall be established as an investigating body in cases of accidents and incidents, composed of 5 members ( by two from the infrastructure manager and the operator and one from the Ministry of Transport and Communications.

**The process of transformation of the Public Enterprise “Macedonian Railways”**. By the mid 2007 the Report on estimation of the capital, funds, rights, obligations and the employees of the Public Enterprise “Macedonian Railways” - UnLtd Skopje is to be amended and updated for the state of affairs of up to the 31<sup>st</sup> of December 2006 and a plan is to be prepared for the balance of partition for purpose of its transformation. Furthermore, by the mid 2007 a financial statement, a balance sheet and report on cash flows for the status of up to 31<sup>st</sup> of December 2006.

Upon adoption of Decisions on establishment and Statutes of the Public Enterprise for Railway Infrastructure “Macedonian Railways” – Skopje and the Stock Company for Transport “Macedonian Railways Transport JSC” – Skopje in governmental ownership the two new companies are to be registered in the court register.

Prior to adoption of the Statutes, upon proposal of the Ministry of Finance, the Government is to adopt Decision on the status of the depts of the Public Enterprise for Railway Infrastructure “Macedonian Railways presently upon all bases.

Upon registration of the two new companies in the court register, the transformation process of the existing Public Enterprise for Railway Infrastructure “Macedonian Railways” is to finish. The deadline foreseen for the whole process is the second quarter of 2007.

## **MEDIUM-TERM PRIORITIES**

### **LEGAL FRAMEWORK**

During 2008 it is foreseen that bylaws related to the Law on Carriage by Railways are drafted. Also, by the end of 2008, Law Establishing an Agency for Railway Transport is to be adopted. By the end of 2010 implementation of the adopted legal package

for railways in the Republic of Macedonia is to be monitored and necessary amendments in the legislation are to be initiated with a view to improve the functioning of the railway system in the Republic of Macedonia in accordance with the new directives of the European Union, as well as to develop the combined transport in the Republic of Macedonia.

### INSTITUTIONAL FRAMEWORK

Capacity building is foreseen for the Sector for Railways by new employments, technical equipment and provision of training for the employed in drafting and monitoring the legal regulations in this field. In the period 2008-2010 five new employments are foreseen: two employments in 2008, two employments in 2009 and one employment in 2010 and appropriate technical equipment.

As of 2009 onward, an Agency for Railway Transport shall function as an independent regulatory body.

### FOREIGN ASSISTANCE

The project of the World Bank for Reform of the Railway No. 83499. It contains 4 components as follows:

- **Component 1:** Technical assistance for restructuring, regulation and preparatory steps for the involvement of the private sector as well as capacity building and support for the implementation. The total value is 1.52 million Euro.
- **Component 2:** The social component designed for mitigation of social impediments. Total value is 0.65 Euro (0.4 million Euro from the budget of the Republic of Macedonia as in-kind money and 0.25 million Euro from the loan).
- **Component 3:** Increasing the functional capacity of the Macedonian Railways Transport. Total value is 7.90 million Euro.
- **Component 4:** Mechanisation of railroad maintenance and modernisation of the infrastructure of the Macedonian Railways Transport. The total value is 5.25 million Euro.

On the 12<sup>th</sup> of June 2006 implementation of the components 1 and 2 of the project began. As for the components 3 and 4, the condition for the credit to be effective is division and formation of the two new enterprises. The project is to end in the second half of 2009.

## 3.14.3 INLAND WATERWAYS TRANSPORT

### CURRENT SITUATION

#### LEGAL FRAMEWORK

The inland waterways navigation is carried out in the natural and artificial lakes of the Republic of Macedonia. The waterways navigation is not carried out in rivers.

**The Law on Inland Waterways Navigation** (Official Gazette of the Republic of Macedonia No. 27/2000, 74/2005) regulates inland waterways navigation in the Republic of Macedonia, the conditions and manner for the use, maintenance, marking and preservation of navigation passages, ports, winter ports, roadstead and bathing areas, the conditions which have to be fulfilled by navigation vessels, the procedure for registration and de-registration of navigation vessels as well as the safety of inland waterways navigation, the procedure in case of navigation accident, rescue missions and retrieval of sunken vessels.

The Law implements the Resolution no. 24 of 15<sup>th</sup> of November 1985 and concerns the application of CEVNI – European rules for maritime in inland waterways navigation passages

### INSTITUTIONAL FRAMEWORK

The Ministry of Transport and Communications and the Port Authority as a subordinate body, are responsible for policy-making, drafting legislation and implementation of the activities related to the safety of inland waterways navigation.

In accordance with the Law on Inland Waterways Navigation, **the Port Authority** is competent for carrying out technical and expert issues in the field of inland waterways navigation safety; issuing approvals for use of navigation passages, ports, winter ports, roadstead and bathing areas; registration and de-registration of vessels; issuing ships logs and permits for boarding; issuing documents for competency in handling boats; issuing approvals for docking of foreign yachts or boats; organising rescue missions for human lives and property in inland waters.

The Port Authority carries out its tasks with four employees

### SHORT-TERM PRIORITIES

#### LEGAL FRAMEWORK

In 2007 it is foreseen:

- Drafting a **new Law on Inland Waterways Navigation** to be harmonised with the legislation of the EU in this field
- Drafting bylaws regulating the rules, signals and signs in inland waterways navigation, the plan and program for acquiring ranks and authorisations of crew members of ships, prescribing the form and contents of the ship log and permit for boarding including the form of the identification document of inspector for waterways navigation safety

## **MEDIUM-TERM PRIORITIES**

### **LEGAL FRAMEWORK**

In 2008 drafting of bylaws prescribing the manner of determination of names, designations and signs for recognition of ships are to be drafted as well as the form and contents of the main ship registration book which acquired the status of belonging to the Macedonian state.

### **INSTITUTIONAL FRAMEWORK**

It is foreseen that two persons are employed in the Port Authority by 2010.

## **3.14.4 AIR TRANSPORT**

### **CURRENT SITUATION**

#### **LEGAL FRAMEWORK**

##### **Legal acts**

At the beginning of 2006 the Law on Aviation was adopted (Official Gazette of the Republic of Macedonia 14/06) which regulates the air transport in the Republic of Macedonia. The Law on Aviation is partially harmonised with the following EU measures: 32004R0549, 32004R0550, 31993R0095, 31994L0056 and 31996L0097, and also provides for the basis for all these measures to be completely transposed into bylaws.

##### **Bylaws**

Drafting of bylaws of the new Law on Aviation is in progress. In this context nine EU regulations and directives are already transposed in accordance with the obligations arising from the Agreement on Common Aviation Area: 31992R2407, 31991R3922, 31989L0391, 32003L0088, 32000L0079, 31990L0314, 31992L0059, 31993L0013 and 31995L0046.

#### **INSTITUTIONAL FRAMEWORK**

The Ministry of Transport and Communications, in accordance with the Law on Aviation, is responsible for activities related to aviation policy, concessions in the field of aviation, proposing laws and adoption of bylaws in the field of air transport and management supervision over the Agency. Within the Ministry of Transport and Communications these activities are carried out by **the Sector for Air Transport**. In 2006 five persons were employed in this sector.

Activities related to examination of air accidents and serious incidents are related to the Ministry of Transport and Communications. An independent commission for examination of accidents led by a commissioner as a permanent member already nominated by the Government of the Republic of Macedonia is formed, and the alternative members are nominated for each particular case of accident and serious incident chosen especially from the staff on the list of aviation experts in accordance with the Law on Aviation.

An authority within the Ministry of Transport and Communications is **Civil Aviation Administration**. The Civil Aviation Administration is responsible for the preparation of the laws and bylaws in the field of air transport, for implementation of aviation standards in practice, for issuing documents, approvals and permits for supervision. Presently, the Administration has 264 employees..

## **SHORT-TERM PRIORITIES**

### **LEGAL FRAMEWORK**

In October 2006 in the Ministry of Transport and Communications a Working group is formed whose task is to make a draft-text of **the National Strategy on Development of Aviation of the Republic of Macedonia**. The Strategy is medium-term for 3-5 years and is a modular strategy which enables a continuous maintenance, upgrading and updating of the contents. The deadline for adoption of final draft text of the strategy is the end of the second quarter of 2007.

In the beginning of 2007 **the Law Amending the Law on Aviation** is to be adopted. The draft-law is adopted by the Government of the Republic of Macedonia and is in the parliamentary procedure. The amendments are to remove the impediments for transformation of the Civil Aviation Administration, provide details on financial resources of the new Civil Aviation Agency, bring harmonisation with the provisions of the Law on Misdemeanours (adopted after the Law on Aviation) and bring harmonisation with the international regulations and standards.

In the first quarter of 2007 a Multilateral Agreement on Establishment of European Common Aviation Area (ECAA) signed in Luxembourg on the 9<sup>th</sup> of June 2006, is to be ratified. Its aim is creation of uniform conditions for free market of services in air transport and uniform rules in the field of safety, security, management of air traffic, social sphere and protection of environment on the entire territory of the European continent. Establishment of European Common Aviation Area and the membership of the

Republic of Macedonia implies respect of aviation regulations and standards of the European Community with a view to creating of a more efficient, adequate and competitive transport system of the Republic of Macedonia.

The remaining bylaws deriving from the Law on Aviation are to be adopted by the end of 2008 and to transport the following EU measures: 31992R2408; 31993R0095; 31996L0097; 32004R0549 (partially); 32004R0550; 32004R0551; 32004R0552; 31994L0056; 32002R1592; 32003L0042; 32003R1702; 32003R2042; 32002R2320; 32003R0622; 32003R1217; 32004R1138; 31989L0629; 31992L0014; 32002L0030; 32002L0049; 31991L0670; 31991L3925.

The bylaws, inter alia, prescribe also the following:

- Conditions, manner and procedure on obtaining flight approval, allocation of slots, on carrying out activities at airport and runway, on obtaining flight approval, on providing services in aviation navigation.
- Procedure and manner of reporting, examination of accidents and serious incidents of aircraft or parachutes and of incidents and special events related to ATM.
- The construction of aircraft and change of aircraft, motor, elipse, parachute, aircraft equipment including technical control of the construction
- Procedure on establishment of airworthiness of aircrafts
- Conditions and manner of carrying out airport services and conditions on safety of air port.
- Establishment of a National Committee on Safety and National Committee on facilitation of air transport.
- Maximum allowed noise and maximum allowed quantity of emission of gases made at take offs, during flights or at landing.

## INSTITUTIONS

On the day of the entry into force of the Law on amendments and alterations of the Law on Aviation, the Civil Aviation Administration is to continue to function as Civil Aviation Agency. The final division of the regulatory from the operative functions and formation of two independent bodies for which a foreign aid is provided from GTZ through DFS (the German Air Traffic Control) is to be over upon expiry of one year as from the date of the entry into force of the Law on amendments and alterations of the Law on Aviation. The Law on Aviation defines the competent state authorities for aviation in the Republic of Macedonia to be the Ministry of Transport and Communication and the **Civil Aviation Agency** which undertakes the regulatory functions of the former administration, and as for the operative functions related to the flight control it is foreseen that a **Stock Company with one shareholder – the State** is established in accordance with the Company Law. Furthermore, in accordance with the EU regulations it is required that an **independent coordinator for allocation of slots** is to be designated.

The Civil Aviation Agency in accordance with the new Law on Aviation is to be an independent authority of the state administration in capacity of legal person responsible for drafting laws and adoption of bylaws in the field of aviation in accordance with the aviation standards and regulations of EU, ICAO, ECAC, EUROCONTROL, JAA/ EASA; supervision over the application of the provisions of the laws and bylaws on aviation on the part of industry; administration procedure for issuing, renewing, replacing, suspension and withdrawing permits, authorisations, documents, approvals, registration of aircrafts, airports, runways and records on terrains; organising and coordinating activities related to search and rescue missions of aircrafts and other.

The Agency is to take over a part of the employees from the former administration dealing with activities related to the abovementioned competences. The CARDS Regional ASATC Phase II on promotion of aviation safety and flight control strengthens the functions of the Agency and the Stock Company for flight control which they have in accordance with the Law on Aviation, builds up the capacity through organised training, seminars and other. Furthermore, capacity building of the staff of the new Agency is envisaged.

## MEDIUM – TERM PRIORITIES

### LEGAL FRAMEWORK

In the last quarter of 2008 the Law on Obligatory Relations in Aviation and appropriate bylaws are planned to be adopted. The Law is to regulate the private law-related issues in the field of aviation in relation to the agreement on transport, i.e. air tickets for the transport of passengers, the responsibilities of air companies arising from the agreement for transport, compensations for damages, insurance etc. The Law and related bylaws will be harmonised with the following EU measures: 31992R2409; 31997R2027; 32004R0261 and 31989R2299.

In the second quarter of 2008 it is planned that correspondance with the operative procedures of the subjects of aviation industry with the provisions of JAR FCL and JAR 145 is achieved.

In the last quarter of 2008 it is planned that the remaining bylaws of the Law on Aviation are adopted as well as bylaws regulating certain aspects of aviation which are based upon provisions of other laws.

In the last quarter of 2009 it is planned that reorganisation of the national aviation area into functional blocks (FABs) is completed as well establishment and maintainance of mechanisms for coordination of the three strategic levels prescribed by the principle of flexible use of aviation area (FUA).



## INSTITUTIONAL FRAMEWORK

It is planned that capacity building of the established institutions is achieved as well as investments, training of the employees, organising seminars and other.. In the last quarter of 2009 obligations from transitional periods taken by the Protocol of the Agreement on establishment of European Common Aviation Area (ECAA) are to be completed which would lead to acquisition of full membership of the Republic of Macedonia in ECAA and full liberalisation of the aviation market among the EU Member States and the Republic of Macedonia.

## FOREIGN ASSISTANCE

Currently the foreign assistance is made through the CARDS Project 2005 "Transport policy and administrative management – Improvement of the regulation framework in air traffic". This project is aimed to strengthen the functions of the Ministry of Transport and Communications in accordance with the Law on Aviation, capacity building of the Sector for Aviation through organised training, seminars and other.

In the last quarter of 2009 the CARDS Regional ASATC Phase II for the improvement of aviation safety and air traffic control is to be realised.

## 3.14.5 STATE AID

### CURRENT SITUATION

#### LEGAL FRAMEWORK

The legislation related to state aid includes the Law on State Aid (Official Gazette of the Republic of Macedonia No. 24/03 and 70/06) and the bylaws related to this law. The Macedonian legislation concerning the state aid implements , articles 87-89 from the Treaty establishing the European Community and the following EU measures: the; 32001R0069 and 31999R0659. See chapter 3.08.

Until now, there is no state aid in the transport sector granted by the Ministry of Transport and Communications. Activities are initiated such as nomination of a contact person from the Ministry of Transport and Communications for the Commission for State Aid with a view to state aid related issues for to-date and future work.

### SHORT-TERM PRIORITIES

Drafting of the bylaw – Regulation establishing conditions for allocation of state aid in certain areas is in progress. The draft-Regulation is prepared by technical assistance within the project CARDS 2004 Harmonisation of trade legislation. The Regulation establishing conditions for allocation of state aid in certain areas is to be harmonised by the following EU measures: 52002XC0508(2); 31998Y0213(01); 32004R0364; 31997Y0710(01); 31996Y0217(1); 32002R2204; 32001Y0203(02); 32000Y0311(03) and 32001R0068.

### MEDIUM-TERM PRIORITIES

Further harmonisation of the Macedonian legislation for state aid with EU measures related to transport is foreseen.

## INSTITUTIONAL BUILDING REQUIREMENTS

BUDGETARY BENEFICIARY/ INSTITUTION	INSTITUTION/ SECTOR	Current status 31.12.2006	2007	2008	2009	2010	Total
13001: Ministry of Transport and Communications	MTC:Sector for Air Traffic	3	1	1	0	0	2
	MTC: Sector for Railway	4	3	2	2	1	8
	PA: Port Authority	4	0	1	0	1	2
	STI: State Transport Inspectorate	34	0	0	0	0	0
	MTC: Sector for Road Transport	12	2	1	1	0	4
	NEW: Agency for Railway Transport	0	0	0	5	10	15
13001: Ministry of Transport and Communications Total		57	6	5	8	12	31
13002: Civil Aviation Administration	MTC_CAA: Civil Aviation Agency	264	0	2	2	3	7
	NEW: Air Navigation Service Provider (MAKKONTROL)	0	0	0	0	0	0
13002: Civil Aviation Administration Total		264	0	2	2	3	7
<b>TOTAL</b>		<b>321</b>	<b>6</b>	<b>7</b>	<b>10</b>	<b>15</b>	<b>38</b>

## 3.15 ENERGY

### 3.15.1 SECURITY OF SUPPLY

#### CURRENT SITUATION

##### LEGAL FRAMEWORK

The legal basis for the security of the supply of specific energy types was established in the Law on Energy (*Official Gazette of the Republic of Macedonia No. 63/2006*), through the definition of activities of public interest.

In addition, a novelty that was introduced with the *Directives 68/414/EEC and 98/93/EC*, which are transposed into the Law on Energy and refer to the oil derivatives reserves, is the manner of provision and maintaining commodity reserves of oil derivatives.

The Final Act of the European Energy Charter Conference with: Annex 1 - Energy Charter Treaty, Annex 2 - Decisions with respect to the Energy Charter Treaty and Annex 3 - Energy Charter Protocol on Energy Efficiency and Related Environmental Aspects, has been ratified by the Assembly of the Republic of Macedonia with the Law on Ratification of the Final Act of the European Energy Charter Conference (*Official Gazette of the Republic of Macedonia No.16/98*), and thus it has been transposed into the national legislation of the Republic of Macedonia.

Pursuant to the Law on Commodity Reserves (*Official Gazette of the Republic of Macedonia No. 68/04*), commodity reserves of oil derivatives shall be compulsory stored, maintained and restocked by entities that perform oil derivatives production or trade and meet the general and the specific conditions for trade in oil derivatives in the Republic of Macedonia.

The Assembly of the Republic of Macedonia, upon a proposal of the Government of the Republic of Macedonia, adopts mid-term programme, specifying the type and the quantity of commodity reserves. The Mid-Term Programme for 2005-2007 envisages that the restocking of oil derivatives reserves for up to 60 days of coverage of the consumption be achieved by the end of 2007, while coverage of the consumption for up to 90 days will be achieved by the end of 2010, which will be a subject of the Mid-Term Programme for the period 2008-2010.

##### INSTITUTIONAL FRAMEWORK

The oil derivatives are an integral part of commodity reserves under the competence of the Commodity Reserves Bureau. The Bureau is an institution within the Ministry of Finance, established as a legal person. The Bureau has 26 employees, of which 1 is a director, 9 civil servants and 16 workers for supplementary works (without status of civil servants). Furthermore, the Bureau has the rights, obligations and responsibilities of management and utilisation of the commodity reserves of the Republic of Macedonia. It has in direct responsibility before the Government of the Republic of Macedonia and the Minister of Finance.

#### SHORT-TERM PRIORITIES

##### LEGAL FRAMEWORK

The energy policy of the country is defined in the Strategy for Development of the Energy in the Republic of Macedonia for a long-term period. The Strategy for Development of the Energy in the Republic of Macedonia shall define: long-term goals for development of certain energy activities in order to provide security in the supply of different types of energy, development priorities, sources and manner of provision of necessary energy quantities and energy resources, identification and utilisation of the energy resources and capacities of strategic importance of the country, transformation of the energy sector, driving measures for investment in energy objects in which renewable energy sources are used, driving measures for increase of the energy efficiency, meeting the obligations of the international charters, agreements, treaties, conventions and other documents ratified by the Republic of Macedonia and to which the Republic of Macedonia has accessed, condition and manner for provision of environment protection and measures for implementation of protection, and other elements deemed important to the energy development of the Republic of Macedonia. The Strategy for Development of Energy shall cover at least twenty years.

In 2007, **Amendments of the Rulebook on the quality of liquid fuels** (*Official Gazette 90/06 and 120/06*) is envisioned in order to introduce the new European standards ( for petrol EN 228 2005, diesel fuels EN 590 2005) and to use them gradually.

##### INSTITUTIONAL FRAMEWORK

Within the Ministry of Economy, the Sector of Energy consists of four Units: Unit for Investment Projects in the Area of Energy, Unit for the Electricity System, Unit for Fossil Fuels and Unit for Energy Efficiency and Renewable Energy Sources, with 10 full time employees. In accordance with the current systematisation of working posts, additional 7 individuals will be employed.

#### MEDIUM-TERM PRIORITIES

In this period, activities will continue for drafting bylaws for the purpose of implementing the Law of Energy, attracting private investments for construction of new energy facilities, implementation of specific projects for energy efficiency enhancement,

increase of the share of RES in the energy consumption, as well as, international activities and other ongoing activities in the area of energy.

## LEGAL FRAMEWORK

According to the new *Law on Energy*, in the segment of oil reserves, an obligation has been stipulated for supply and maintenance of oil derivatives to be gradually transferred to the participants in the oil derivatives market, so that in 2012 it is fully transferred under their responsibility.

Furthermore, the **Strategy for Development of the Energy in the Republic of Macedonia** will be adopted during 2008.

The Government of the Republic of Macedonia, in accordance with this Law, will adopt a Decree by which it will stipulate in more detail the conditions, the procedure and the manner of establishing, maintenance, use and restocking of commodity reserves of oil derivatives.

## 3.15.2 ENERGY MARKET

### CURRENT SITUATION

#### LEGAL FRAMEWORK

The electricity and natural gas (Energy) market was transformed in accordance with the *Treaty establishing the Energy Community*, which was closed between the Republic of Macedonia and the other South Eastern European countries (Albania, Bosnia and Herzegovina, Bulgaria, Romania, Croatia, Serbia, Montenegro and UNMIC<sup>9</sup>) and the European Commission as representative of the European Union member states.

The legal framework for the energy market in the Republic of Macedonia consists of the *Law on Energy* (Official Gazette of the Republic of Macedonia No. 63/2006) and several bylaws. In this context, the provisions that refer to electricity market, natural gas market, oil and oil derivatives market and thermal and geothermal energy market are of relevance. The Directive No. 2003/54/EC of the European Parliament and the Council of 26 June 2003 on the general relations within internal electricity market (32003L0054), the Directive No. 2003/55/EC of the European Parliament and the Council of 26 June 2003 on the general relations within internal natural gas market (32003L0055) and the Directive 68/416/EEC and 98/93/EC, which amends 68/414/EEC on the oil derivatives reserves, are transposed in this part of this Law.

At the end of 2006 will be the **Rulebook on the quality of liquid fuels** (Official Gazette 90/06 and 120/06), in order to introduce biofuels used for transport in the Republic. These amendments transpose the Directive 2003/30/EC of 8 May 2003 on promotion of use of biofuels or other renewable fuels for transport into the national legislation. This Rulebook introduces two types of biofuel: biodiesel and bioethanol.

On 25 August 2006, the Energy Regulatory Commission of the Republic of Macedonia adopted a Decision No. 02-1203/1 approving the *Network rules for transmission of electricity*.

### PETROLEUM AND OIL DERIVATIVES MARKET

The new Law on Energy shall define the rights and the obligations of the participants in the petroleum and oil derivatives market. By means of law, the performers of activity of petroleum processing and oil derivatives production, transport of petroleum and oil derivatives through oil pipelines and product pipelines and through other means of transportation, wholesale of oil derivatives, retail of oil derivatives, and transit of petroleum and oil derivatives through oil pipeline or product pipelines are defined.

### THERMAL OR GEOTHERMAL ENERGY MARKET

The new Law on Energy sets the terms of use and the responsibilities in the area of thermal/geothermal energy.

### ENERGY COMMUNITY TREATY

The Republic of Macedonia is signatory to the *Treaty establishing the Energy Community*. The Treaty was signed on 25 October 2005. The Treaty was *ratified* by the Assembly of the Republic of Macedonia on 21 May 2006, and *entered into force* on 1 July 2006. The main goal of the Treaty is to enable free trade in energy under transparent conditions between countries in the Region and with the EU Member States.

The entry into force of the Treaty posed obligation for the Republic of Macedonia to fully implement, within one year, the provisions of Directives 2003/54/EC and 2003/55/EC, in accordance with a predefined dynamics of the market opening for all consumers, except households, the possibility to select their supplier by 1 January 2008, and for all consumers by 1 January 2015.

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<sup>9</sup> In the role of representative of the temporary executive authority of Kosovo, pursuant to the United Nations Council Resolution No. 1244.

In the period between August and November 2006, and in cooperation with the Energy Community Secretariat, *Directions* for each country have been developed, containing appropriate conditions, criteria and time frames in accordance to which the implementation of the remaining responsibilities regulated with the Treaty will be managed. The Directions were supported by the Ministerial Council at the Meeting held in Skopje on 17 November 2006.

## **INSTITUTIONAL FRAMEWORK**

The Government of the Republic of Macedonia, i.e. the Ministry of Economy has the role of policy creator for the energy sector. Within the Ministry of Economy, the Sector of Energy consists of four Units: Unit for Investment Projects in the Area of Energy, Unit for the Electricity System, Unit for Fossil Fuels and Unit for Energy Efficiency and Renewable Energy Sources, with 10 full time employees. In accordance with the current systematisation of working posts, there is a need for additional 7 employees.

*The Energy Regulatory Commission* was established on the basis of the amendments of the Law on Energy of December 2002, and it has been operational as of 1 January 2004. The Regulatory Commission is independent in its performance and decision making within the regulations stipulated by the Law. The five members of the Regulatory Commission, at the proposal of the Government, are appointed and released from duty by the Assembly of the Republic of Macedonia. The Assembly also approves the budget of the Regulatory Commission. The Energy Regulatory Commission of the Republic of Macedonia is responsible for monitoring of the energy market functioning and recommending of appropriate measures for its functioning.

The Macedonian Electro-Transmission System Operator (METSO) started its official operation on 1 January 2005. METSO owns the entire equipment for electricity transmission and it is also responsible for maintenance, planning of extension and construction of the transmission network, management of the electricity system and supply of electricity to wholesale tariff consumers and system services, as well as organisation and management of the electricity market, i.e. performance of the function Electricity Market Operator (EMO). EMO, as a separate organisational unit within METSO, is responsible for organising the wholesale electricity market on the national level. Depending on the demands and needs for the development of the electricity market in the Republic of Macedonia and the Region, EMO could be transformed into a new institution, separated from METSO.

The legal procedure of separating the production from the vertically integrated company and the registration of a separate Joint Stock Company Electric Power Generators of Macedonia (EPGM) was completed in September 2005. In parallel to this, the Joint Stock Company Electric Power Company of Macedonia (JSC-EPCM) was registered as Joint Stock Company for electricity distribution and supply, performing the functions related to distribution network, Distribution System Operator (DSO) and electricity supply to retail tariff consumers, as last resort supply (regulated retail supplier of tariff customers, as supplier of last resort). The JSC-EPCM is also the owner and manager of distributed production units of the former vertically integrated company. The organisational restructuring of the JSC-EPCM, enabling accounting and functional separation of the DSO, was completed by the end of 2005.

## **SHORT-TERM PRIORITIES**

At the beginning of 2007, in accordance with the Government's operational programme related to renovation and reconstruction of the electricity sector, a *Programme for consolidation of JSC EPGM and JSC METSO* will be developed in terms of: technical, economic and financial, legal and developmental investing, i.e. covering all the areas of operation.

In March 2007 **Analyses and defining of possible models for privatisation of the energy system** will be developed. The objective of this analysis is to conduct analysis of the possible solutions and their effects in relation to the privatisation of the energy sector and to recommend dynamics for possible implementation.

*The Energy Regulatory Commission of the Republic of Macedonia*, in the course of 2007, will develop and adopt the bylaws necessary for the full implementation of the Law on Energy and the establishment of a functional energy market: *The Network rules for distribution of electricity* and *the Market rules for electricity*. The following draft texts have been developed: *The Tariff System for sale of electricity to the consumers that are connected to the transmission network*, *the Tariff System for sale of electricity to the consumers that are connected to the distribution network* and *Conditions for electricity supply*, which are expected to be adopted during 2007.

In the area of *natural gas*, adoption of *Network rules for transmission of natural gas* and *Conditions for natural gas supply*. Bylaws in the area of *thermal*, i.e. *geothermal energy*, planned to be adopted, i.e. approved by the Energy Regulatory Commission during 2007: *Network rules for distribution of thermal energy*, *Tariff System for sale of thermal energy to consumers connected to the distribution network*, *Conditions for thermal energy supply*, *Network rules for distribution of geothermal energy*, *Tariff System for sale of geothermal energy to consumers connected to the distribution network* and *Conditions for geothermal energy supply*.

## **MEDIUM-TERM PRIORITIES**

Intensive activities of the Ministry of Economy and Energy Regulatory Commission, within their scope of work, aimed at developing and adopting the bylaws necessary to implement the new Law on Energy towards the establishment and

strengthening of the energy market are planned for the mid-term period. In the area of electricity and natural gas, the activities will be carried out in accordance with the action plan for fulfilling the obligations under the Energy Community Treaty. In this period, the need for harmonisation of the regulatory framework and adjustment of the market structure in line with the development of the regional energy market remains. The envisaged dynamics of opening the electricity and natural gas market should enable all consumers except households the free choice of a supplier by 1 January 2008, while for the households by January 1, 2015.

During this period, it is also expected that the deregulation of the energy sector and the newly established policy for construction of new energy facilities will start to produce results in terms of private investments effectuation, especially in the production of electricity and the distribution of natural gas.

### **3.15.3 RENEWABLE ENERGY SOURCES AND ENERGY EFFICIENCY**

#### **CURRENT SITUATION**

##### **LEGAL FRAMEWORK**

In the *Law on Energy* (Official Gazette of the Republic of Macedonia No. 63/2006) there is a separate part that deals with the energy efficiency and the renewable energy sources. This Law on Energy stipulates that the policy for upgrading the renewable energy sources (RES), as well as the policy for promotion of the energy efficiency is created by the Government of the Republic of Macedonia through strategic documents.

The Restricted Invitation No. 1/2006 for selection of consultancy services – development of a basic study on renewable energy sources in the Republic of Macedonia was announced in the course of 2006. The stated is in its final phase and after the selection of the best bidder, the development of the Basic Study on Renewable Energy Sources in the Republic of Macedonia will commence, which, during 2007, will serve as a basis for development of the Strategy for renewable energy sources. The Swiss Compensating Fund, as well, approved funds in amount of 4.000.000 MKD for the development of the Basic Study on RES.

##### **INSTITUTIONAL FRAMEWORK**

The Law on Establishing an Agency for Energy of the Republic of Macedonia was brought on 28 July 2005 (Official Gazette of the Republic of Macedonia No. 62/2005) which is responsible for preparation of medium-term and long-term strategies and development plans, preparation of long-term and short-term programmes for energy efficiency (EE) and for utilisation of renewable energy sources (RES), preparatory and coordinating activities regarding the implementation of investment projects. At this moment in the Agency are employed the Acting-Head Director and 3 other employees. For 2007 is planned to be employed 2 more. The stuffing will be gradual: 2008-3 employees, 2009-3 employees, and 2010 – 4 employees.

#### **SHORT-TERM PRIORITIES**

##### **RENEWABLE ENERGY SOURCES**

On the basis of the *Basic Study on Renewable Energy Sources*, a *Strategy for Renewable Energy Sources* will be developed during 2007 and will be adopted in 2008. The Strategy for Renewable Energy Sources defines the objectives for utilisation of the renewable energy sources and the manners of achieving such objectives, especially: the potential of the renewable energy sources, the feasibility potential of the renewable energy sources, the arranged scope and dynamics for introduction of electricity consumption from renewable energy sources in the electricity balance, definition of transitional measures for support of the renewable energy sources utilisation through preferential tariffs for privileged electricity manufacturers and other support measures.

##### **ENERGY EFFICIENCY**

Pursuant to the Law on Energy, the *Rulebook on labelling the household appliances from aspect of energy efficiency* will be adopted in 2007. The following Directives of the Commission will be implemented: 95/12/EC, 95/13/EC, 96/57/EC, 96/60/EC, 97/17/EC, 92/42/EC, 98/11/EC, 94/2/EC, 92/75/EEC, 2002/31/EC and 2002/40/EC, which refer to the energy labelling of the household appliances.

#### **MEDIUM-TERM PRIORITIES**

##### **RENEWABLE ENERGY SOURCES**

Pursuant to the Law on Energy, during 2008, a *Rulebook on enhancing the utilisation of renewable energy sources* will be developed. The Directive 2001/77/EC will be implemented with this Rulebook.

In addition to this, the Agency for Energy of the Republic of Macedonia should commence, as of 2007, with the issuance of *Certificates of Origin for the Electricity Generated from RES*. By the end of the medium term, the establishment of a functional mechanism for feed-in tariffs to support the RES is expected, as well as results from its implementation.

Furthermore, during 2008, will be adopted the *Strategy for Renewable Energy Sources* which is prepared for a period of 10 years.

## ENERGY EFFICIENCY

The priority in this period will be given to the adoption and implementation of the following bylaws on energy efficiency promotion by the Minister in charge of the activities in the filed of energy:

- *Technical specifications and standards for efficient utilisation of the fossil fuels* that will in more detail establish the criteria to be met by the motor vehicles, electricity and thermal energy production plants and other devices from aspect of energy efficiency.
- During 2008, the *Rulebook on energy efficiency of new and reconstruction of existing buildings* will be adopted. The Directive 2002/91/EC on the energy performance of the buildings will be implemented with this Rulebook.

## 3.15.4 NUCLEAR SAFETY AND RADIATION PROTECTION

### CURRENT SITUATION

The issues in the area of nuclear safety are regulated by the *Law on Ionising Radiation Protection and Radiation Safety* (Official Gazette of the Republic of Macedonia No. 48/02) which has been aligned with the relevant EU legislation.

The **Directorate for Radiation Safety (DRS)** is responsible in the area of nuclear safety and radiation protection, in accordance with the Law on Ionising Radiation Protection and Radiation Safety. The Directorate is formed on 5<sup>th</sup> of May 2005 and is managed by Director, which is responsible directly before the Government of the Republic of Macedonia.

The **Republic Institute for Health Protection (RIHP)**, upon request and under the conditions laid down by the Directorate, performs the activities in the area of radiation protection in accordance with the standards of the international organisations and the European Union.

### MEDIUM-TERM PRIORITIES

- Establishing a Radiation Safety Commission which represents an advisory body for certain issues in the area of ionising radiation protection and preparation of proposals and solutions within its competence;
- Law amending the Law on Ionising Radiation Protection and Radiation Safety;  
Development of four priority Rulebooks, in accordance with the international security standards and the European Directives:
  - Rulebook on the limits of exposure on ionising radiation, the conditions for exposure under specific circumstances and implementation of interventions in emergency cases;
  - Rulebook on the conditions and measures for protection from ionising radiation for performance of activities with radioactive sources;
  - Rulebook on the conditions and measures for protection from ionising radiation for performance of activities with X-ray apparats, accelerators and other devices that produce ionising radiation;
  - Rulebook on protection from ionising radiation of the professionally exposed individuals.
- Memorandum of Cooperation with Customs Administration - Ministry of Finance, Ministry of Interior and the Food Directorate – Ministry of Health and other administrative bodies;
- Memorandum of Cooperation with relevant international institutions;
- Up-dating of the National Register of ionising radiation sources;
- Development and adoption of National Action Plan for Emergency Cases;
- Completion of the MAK/4/002 Project "Management and storage of low and medium active radioactive waste", financed by IAEA, with the aim to construct a storehouse for low and medium active radioactive waste, thus meeting one of the conditions stipulated in the Article 103 of the Stabilisation and Association Agreement of the Republic of Macedonia. The value of the project is €150,000 and it is a donation in a form of equipment and training of the staff to work in this construction;
- Operationalisation and strengthening the capacity of the Directorate for Radiation Safety.

### SHORT-TERM PRIORITIES

- Entire operationalisation and capacity strengthening of DRS;
- Development of the remaining Rulebooks and adoption of bylaws to regulate: environmental monitoring with regard to radioactive contamination; health protection of the population and workers exposed to ionising radiation; protection of external workers engaged in controlled zones of radiation; basic measures for medical exposure and health protection in case of medical exposure; in-door radon exposure as well as exposure to radon in drinking water; transportation control of radioactive material and waste; designing a standard document for supervision and control of radioactive waste

transportation and import certificates for agricultural products; import of food products from areas affected by nuclear disaster or radiological accident.

- Training and education of the users of ionising radiation sources.

### 3.15.5 STATE AID

The Law on State Aid (Official Gazette of the Republic of Macedonia No. 24/03) defines the areas in which state aid can be awarded, including the coal sector.

### 3.15.6 DEVELOPMENT OF THE INSTITUTIONAL CAPACITIES

BUDGETARY BENEFICIARY/ INSTITUTION	INSTITUTION/ SECTOR	Current status 31.12.2006	2007	2008	2009	2010	Total
09004: Commodity Reserves Bureau	CRB: Commodity Reserves Bureau	26	0	0	2	3	5
09004: Commodity Reserves Bureau Total		26	0	0	2	3	5
10001: Ministry of Economy	ME: Sector for Energy	8	2	2	2	1	7
	ME: Sector for Mineral Raw Materials	7	2	1	1	0	4
	NEW: Agency for Energy	1	2	3	3	4	12
10001: Ministry of Economy Total		16	6	6	6	5	23
19001: Ministry of Health	RSD: Radiation Safety Directorate	3	5	5	5	5	20
19001: Ministry of Health Total		3	5	5	5	5	20
ERC	ERC: Energy Regulatory Commission	5	0	0	0	0	0
ERC Total		5	0	0	0	0	0
<b>TOTAL</b>		<b>50</b>	<b>11</b>	<b>11</b>	<b>13</b>	<b>13</b>	<b>48</b>

### 3.15.7 FOREIGN ASSISTANCE

In the area of renewable sources and energy efficiency with the financial support from the *Global Environmental Fund (GEF)*, through the World Bank, the implementation of the *Project for Developing the Programme for Sustainable Energy (Project for Sustainable Energy)* was completed on 11 May 2006. The total value of the preparatory phase of this Project is US\$ 350.000.

For the purpose of achieving this goal, a *Study on Establishing an Institution for Sustainable Energy Development Projects (PDAF)* and a *Study on Establishing an Institution for Sustainable Energy Development Projects Financing (SEFF)* have been developed. The Studies have been developed by the Consulting Companies Exergia from Greece and Nexant from the USA, respectively. A separate part of the Project for Sustainable Energy is envisaged as assistance in the preparatory activities for the establishment of an *Energy Service Company (ESCO)*. For the purpose of the implementation of this part, a *Study for ESCO Development and Support* has been developed by the Consultant Ecoenergy from the USA, and training and local capacity building have already been completed, as well as, energy reviews and studies for four pilot projects have been made by HEP ESCO from Croatia.

The implementation of the Program will commence in April 2007, and for that purpose will be used a GEF Grant of US\$ 5.500.000. The time frame of this Program is till April 2011, and is expected its extension in the following four years.

With the financial support from the Austrian Government, activities aimed at implementing the Project for Solar Energy Utilisation in the Republic of Macedonia "*Solar Water Heaters*" are underway. The Project has been scheduled for implementation in the period between November 2005 and October 2008. The value of the Project is 300.000 EUR, Austrian Grant. The implementation of the Project activities is under the responsibility of the Austrian Consulting Association AEE INTEC.

Environmental Renovation and Energy Rationalisation of the Geothermal System – Geothermal Kocani Project. The Project is implemented with the support of the Austrian Agency for Development (the total amount of the project is 1.560.000 EUR).

Under the financial support provided by the Swiss Government, the implementation of the *Project for efficient energy distribution* is in the final stage. The value of the Project is 12.100.000 CHF, a grant. The main goal of this Project is to provide technical and financial support to the Government of the Republic of Macedonia for energy efficiency improving, through the implementation of four components.

For the purpose of developing tender documentation for a package of 10 small scale hydro power plants, funds have been approved by the Swiss Compensating Fund in an amount of 6.000.000 MKD.

## INVESTMENT PROJECTS

At the end of 2007 and the beginning of 2008 is expected the construction of the two 400 kV long-distance power transmission lines is expected to be completed near the end of 2007: *Stip (the Republic of Macedonia) – Crvena Mogila (the Republic of Bulgaria) and Bitola (the Republic of Macedonia) – Florina (Greece)*.

The construction of 400 kV long-distance power transmission line with the Republic of Bulgaria represents the first interconnecting line of this voltage level between the two countries and part of the Corridor 8. The line will provide secure transit of electricity between the two electricity systems of the Republic of Macedonia and the Republic of Bulgaria. The construction of 400 kV long-distance power transmission line includes construction of a Transmission Station TS 400/110 kV – Stip with 400 kV long-distance fields in the Transmission Station TS 400/110 kV Dubrovo.

The interconnecting 400 kV long-distance power transmission line TS Bitola 2 (the Republic of Macedonia) – TS Florina (Greece) represents second 400 kV line between Macedonia and Greece. This line will replace the 150 kV long-distance power transmission line Bitola - Amindeo, which will reinforce the existing transmission network and will improve the exchange of electricity between Macedonia and Greece and the other countries in the Region.

At the beginning of 2007, it is expected for an international public bid to be announced for giving concession for construction of 60-70 small scale hydro power plants. With the implementation of the Terms of Reference, domestic and foreign investments are envisaged that will contribute to the local development of the rural areas. From aspect of energy, the construction of 60-70 small scale hydro power plants means increase of the installed power in the Republic by 180 MW and annual production of electricity by 700 GWh. In the second half of 2007, it is as well envisioned for an additional international public bid to be announced for giving concession for construction of additional 60-70 small scale hydro power plants.

In terms of construction of new large scale hydro power plants, selection of a co-investor is expected in order to construct the hydro power plants HPP “Cebren” and HPP “Galiste” at Crna Reka as well as start the implementation of the HPP “Boskov Most” project. In addition, realisation of the Vardarska Dolina project is expected in 2007, which represents a large scale project that at the same time covers construction of 12 hydro power plants at the River Vardar.

In the course of 2007, are commenced intensive activities related to the start of the realisation of the construction of Gas Thermal-Electric Heating Plant in Skopje.

In addition, in the course of 2007, intensive activities for construction of a number of heating plants for central heating and mechanisms for connection of the households to the central heating system are planned.

In the period between 2008 and 2010 it is planned for the construction of *two new 400 kV long-distance power transmission interconnecting lines* to commence, which will connect the electricity system of the Republic of Macedonia with the electricity system of the Republic of Serbia, and the Republic of Albania, respectively.

There are three interconnecting lines between the electricity systems of the Republic of Macedonia and the Republic of Serbia, one on voltage level of 400 kV and two on voltage level of 220 kV, connecting the region of Skopje with Kosovo. The 220 kV long-distance power transmission lines have not been functional for several years now and provoke decreased reliance of the Balkans electricity systems.

The new 400 kV interconnecting line will represent second interconnection between the two neighbouring electricity systems. The construction of this interconnection is of great importance to both electricity systems, and it will increase the security and reliance of the performance of the system and the operativity of the Region as a whole.

The East - West Corridor is one of the priority corridors for the economic development of Macedonia and the southern Balkans. This 400 kV long-distance power transmission line enables high-quality connection of the electricity systems of the Republic of Macedonia and the Republic of Albania. In addition, Italy showed initiative for connecting to this interconnection with an underwater 400 kV direct cable from Albania to Italy.

## PROJECT FOR SOCIAL PROTECTION FROM ENERGY POVERTY

Using financial assistance from the European Bank for Reconstruction and Development, the *Project for Social Protection from Energy Poverty* will be developed. The Ministry of Economy is responsible for the Project activities. The Ministry of Labour and Social Affairs, the Consumer Organisation of the Republic of Macedonia, JSC-EPCM, JSC-METSO, JSC-EPGM, the Energy Regulatory Commission, the Ministry of Finance, JSC “The District Heating System of the City of Skopje” and the State Statistical Office will participate in the implementation of this Project. The process of selection of a Consultant has been completed, and the Company RAMBOLL from Denmark has been selected to implement the Terms of Reference. On 6<sup>th</sup> of March .2007 closing Workshop and a Plan for Implementation with practical proposals and measures of activities have been defined for implementation of this study, with the pupurpose to help to the socially endangered layers of the population in supply with electrical energy. The Project will be completed until the first half of 2007.



## **3.16 TAXATION**

### **TAX POLICY**

The existing tax system of the Republic of Macedonia is to a large extent compatible with the tax systems of the EU Member States, its fiscal capacity meets the needs of the state budget and the budgets of the local government units, and it corresponds to the market conditions for running business, and as a result of the low tax rates, it is attractive for foreign investments.

The Law on Value Added Tax has been harmonised with the Sixth EU Directive, and Law on Excises has been to a great extent harmonised with the systemic EU Directive on Excises and its structural directives separately for each type of goods, subject to taxation.

The future tax policy of the Republic of Macedonia continues with the commenced reform of the tax system for harmonisation with the EU Directives. Following the successful harmonisation of the indirect taxes, there are ongoing activities for harmonisation with the EU directives in the area of direct taxation.

### **3.16.1 INDIRECT TAXATION**

#### **VALUE ADDED TAX**

##### **LEGAL FRAMEWORK**

The taxation of the consumption of goods and services in the Republic of Macedonia is regulated with the Law on Value Added Tax (Official Gazette of the Republic of Macedonia No. 44/99, 59/99, 86/99, 11/2000, 8/2001, 21/2003, 19/2004, 33/2006 and 101/2006).

This law, as a basic legal act, regulates the calculation and payment of the value added tax when selling goods and services, paid by the taxpayer in the country within the scope of his business activity, as well as when importing goods.

##### **INSTITUTIONAL FRAMEWORK**

Pursuant to the Law on VAT, the institutions authorised for its implementation are Ministry of Finance, Public Revenue Office and Customs Administration.

##### **CURRENT SITUATION**

The Law on Value Added Tax in the Republic of Macedonia was applied since 1 April 2000, and it transposes to a large extent the requirements of the EU legislation on VAT, as follows:

1. Sixth Council Directive – 31977L0388 – on the harmonisation of the laws of the Member States relating to turnover taxes – Common system of value added tax: uniform basis of assessment, and
2. Thirteenth Council Directive – 31986L0560 - on the harmonisation of the laws of the Member States relating to turnover taxes – Arrangements for the refund of value added tax to taxable persons not established in Community territory.

Regarding the level and number of applicable tax rates, the Law on VAT corresponds to what is provided for in the EU Directives, because two tax rates are applied in the Republic of Macedonia – general tax rate of 18% and preferential tax rate of 5%.

Harmonisation has also been achieved in the tax treatment of investment goods with an accepted solution, according to which equipment intended for production of goods and services, subject to taxation, and real estate necessary for performing the activity, are fully tax exempt.

In accordance to EU legal acts, the Law on VAT regulates the place of supply, time of the occurrence of tax liability, administrative obligations, stipulation of special taxation schemes applicable to tour-operators, tax refund, etc.

During the first quarter in 2006, amendments to the Law on VAT were adopted, coming into force on 1 January 2006, for the purpose of incorporating certain provisions pertaining to exemptions when importing goods, so as to harmonise that provisions with the ones envisaged in the new Customs Law.

Having in mind the fact that the basic Law on VAT in the Republic of Macedonia prepared before 2000, whereas the Sixth Directive, the aim of which is harmonisation with the laws in the Member States in the field of VAT, is constantly undergoing changes, it is necessary to incorporate them into the Macedonian legislation.

##### **SHORT-TERM PRIORITIES**

During 2007, activities will be focused on preparation and analysis of the EU legislation for the purpose of achieving successful harmonisation of the Law on VAT on medium term.

## **MEDIUM-TERM PRIORITIES**

Continuous and intensive process of analysing and harmonising the legislation with the provisions in the EU Directives will be carried out in the period 2008-2010, which refer precisely to the value added tax system. This is especially aimed at:

- Application of VAT when supplying goods and services within the Community between taxpayers registered for VAT purposes in different countries, and application of tax exemptions there under, as well as the treatment of acquiring goods and services from Macedonian VAT taxpayers from other Community Member States.
- Introduction of “special taxation procedures”, by introducing special taxation schemes for: “investment gold”, as well as “second-hand goods, works of art, collectors’ items and antiques”.
- Incorporation of provisions on supply of services carried out electronically.
- Harmonisation in terms of the application of provisions in the Law on VAT in the free zones.
- Stipulating and preparing all forms, including VAT tax return, as well as periodic reports in which Macedonian taxpayer registered for VAT purposes need to report the sales that carried out towards VAT taxpayers from other EU Member States, at the same time stipulating the other administrative obligations.

Following EU acts will be taken into consideration in the process of harmonisation of the legislation in the field of VAT:

- Sixth Council Directive - 31977L0388 – on the harmonisation of the laws of the Member States relating to turnover taxes – Common system of value added tax: uniform basis of assessment), as well as its amendments;
- Council Directive 31969L0169 on the harmonisation of provisions laid down by Law, Regulation or Administrative Action relating to exemption from turnover tax and excise duty on imports in international travel and all its amendments;
- Eighth Council Directive 31979L1072 (Eighth Council Directive 79/1072/EEC of 6 December 1979, with all its amendments, on the harmonisation of the laws of the Member States relating to turnover taxes – Arrangements for the refund of value added tax to taxable persons not established in the territory of the country);
- Thirteenth Council Directive 31986L0560, (Thirteenth Council Directive 86/560/EEC of 17 November 1986 on the harmonisation of the laws of the Member States relating to turnover taxes – Arrangements for the refund of value added tax to taxable persons not established in Community territory);
- Council Directive 31983L0181 (83/181/EEC) with all amendments, determining the scope of Article 14(1)(d) of Directive 31977L0388 as regards exemption from value added tax on the final importation of certain goods;
- Council Regulation No 1777/2005 of 17 October 2005 laying down implementing measures for Directive 77/388/EEC on the common system of value added tax.

All modifications and amendments to the Law on Value Added Tax will be implemented when the Republic of Macedonia becomes an EU Member State.

## **EXCISE**

### **LEGAL FRAMEWORK**

The Law on Excises (Official Gazette of the Republic of Macedonia No. 32/01, 50/01, 52/01, 45/02, 98/02, 24/03, 96/04 and 38/05) is the basic legal act that regulates excises collected directly or indirectly for consumption on the territory of the Republic of Macedonia, as follows: mineral oils, alcohol and alcoholic beverages, tobacco products and passenger cars, and it contains provisions for taxation, excise preferentials, excise exemptions, administrative obligations, registries, legal protection and penalty provisions.

### **INSTITUTIONAL FRAMEWORK**

Pursuant to the Law on Excises, institutions authorised for its implementation are Ministry of Finance, Public Revenue Office and Customs Administration.

### **CURRENT SITUATION**

The Law on Excises is to a large extent harmonised with the EU Excise Directives, as well as with its accompanying structural directives separately for each category of goods, subject to excise taxation.

The regime for taxation of tobacco products, where discrimination existed between the domestic and the imported products, has already been changed by adopting the Law Amending the Law on Excises (Official Gazette of the Republic of Macedonia No. 45/2002), stipulating full excise harmonisation for domestically produced cigarettes and those imported, starting from 1 January 2007.

## **SHORT-TERM PRIORITIES**

In the course of 2007, the focus will be on preparation, i.e. analysing the EU acquis, so as to successfully harmonise the Law on Excises on the medium term.

## **MEDIUM-TERM PRIORITIES**

Continuous and intensive process of analysing and harmonising the legislation with the provisions in the EU Directives will be carried out in the period 2008-2010, which refer precisely to the excise system. Provisions from Council Directive on the general arrangements for products subject to excise duty and on the holding, movement and monitoring of such products (31992L0012),

and in particular the provisions on excise warehousing, which are still not incorporated in the Law on Excises, will be included in 2009 in order to implement the intra-Community suspension regime.

Amendments will lead to harmonisation with the provisions of the Directive restructuring the Community framework for the taxation of energy products and electricity (32003L0096), as well as harmonisation of the excise rates on the tobacco products (31992L0079, 31992L0080 and 31995L0059) and alcoholic beverages (31992L0083 and 31992L0084) with the minimum level required in the Directives. Since the incorporation of the provisions from these directives will have significant implications on the retail prices of energy products and electricity, as well as on the cigarettes, the Republic of Macedonia will need a transitional period in order to mitigate the price impact on the citizens. All modifications to the Law on Excises will be implemented when the Republic of Macedonia becomes an EU Member State.

### **3.16.2 DIRECT TAXATION**

#### **PROFIT TAX**

##### **LEGAL FRAMEWORK**

The Law on Profit Tax (Official Gazette of the Republic of Macedonia No. 80/93, 33/95, 43/95, 71/96, 5/97, 28/98, 11/01, 2/02, 44/02, 51/03, 120/05 and 139/2006) regulates the manner of taxation of the profit realised by legal entities, residents and non-residents in the Republic of Macedonia.

##### **Institutional Framework**

Pursuant to the Law on Profit Tax, institutions authorised for its implementation are Ministry of Finance and Public Revenue Office.

##### **CURRENT SITUATION**

The Law on Profit Tax defines the following: taxpayer, tax base, expenses recognised as expenditure in the tax balance which influence the level of profit realised, tax treatment of the capital revenues and of capital gains and losses, withholding of income tax paid to foreign legal entities, tax exemptions and relieves, avoidance of double taxation, calculation and collection of the profit tax, tax period and penalty clauses.

In order to improve the business climate in the Republic of Macedonia, i.e. to stimulate and encourage foreign and domestic investors in the country, the Law Amending the Law on Profit Tax was adopted at the end of 2006, introducing the flat tax, i.e. the lowest profit tax rate in the region and broader of 10%, which came into force on 1 January 2008, and 12% rate to be applied in the period from 1 January 2007 to 1 January 2008.

##### **SHORT-TERM PRIORITIES**

In order to harmonise the Law on Profit Tax with the EU directives, the focus will be on preparation of accurate interpretation of the directives and their transposition in the Law, although, the Republic of Macedonia, by broadening the network of Agreements on Avoidance of Double Taxation with the EU Member States, is trying to achieve the general objectives of harmonisation with the EU.

Process of preparation pertaining to determining the tax measures will follow, in accordance with the principles of the Code of Conduct for Business Taxation.

##### **MEDIUM-TERM PRIORITIES**

Continuous and intensive process of analysing and harmonising the national legislation with the EU Directives will be carried out in the period 2008-2010, which refer precisely to the profit tax system. New Law on Profit tax will be adopted, to be implemented when the Republic of Macedonia becomes member of the EU. Subject to taxation will also be the common system of taxation applicable to mergers, divisions, transfers of assets and exchanges of shares concerning companies from different Member States (31990L0434), common system of taxation applicable in the case of parent companies and subsidiaries of different Member States (31990L0435), indirect taxes on the raising of capital (31969L0335) and common system of taxation applicable to interest and royalty payments made between associated companies of different Member States (32003L0049).

In addition, arbitrary procedures for prevention of double taxation relating to profits among associated companies of different Member States will also be introduced.

The new Law on Profit Tax will also be harmonised with the principles of the Code of Conduct for Business Taxation, as well as Merger Directive will be transposed in terms of elimination of the obstacles to trans-border restructuring operations.

#### **PERSONAL INCOME TAX**

##### **LEGAL FRAMEWORK**

The Law on Personal Income Tax (Official Gazette of the Republic of Macedonia No. 80/93, 3/94, 70/94, 71/96, 28/97, 8/01, 50/01, 52/01, 2/02, 44/02, 96/04, 120/05, 52/2006 и 139/2006), fully regulates the taxation of annual income of natural persons, realised as sum of net revenues from all sources, as follows: wages and salaries, income from agriculture, income from independent activity, income from property and property rights, income from copyrights and rights to industrial property, capital

revenues, capital gains, gains from games of chance and other premium games and other revenues. Besides the taxable income, the Law also regulates the income that is tax exempt, taxpayer, tax base, tax rates, calculation and collection of the personal income tax, the complaint procedure, re-opening of the procedure and penalty provisions.

### **Institutional Framework**

Pursuant to the Personal Income Tax Law, institutions authorised for its implementation are Ministry of Finance and Public Revenue Office.

### **CURRENT SITUATION**

At the end of 2006, to the end of creating conditions for economic prosperity of the country, more radical reduction of the unemployment and attracting foreign investments, the Law Amending the Personal Income Tax Law was adopted, pursuant to which flat tax was introduced, thus the existing PIT rates of 15%, 18% and 24% were replaced with a single tax rate of 12% in 2007, and tax rate of 10% to be applied from 1 January 2008.

### **SHORT-TERM PRIORITIES**

In 2007, obligations pertaining to the harmonisation of the Law on Personal Income Tax with the EU Directives will be aimed at preparations of a new law, by analysing the systems and the experience of the EU Member States in the normative regulation of taxation of certain sources of income of natural persons regulated with the directives and the other Community documents.

This mainly refers to the 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), pertaining to the taxation of shareholders, i.e. dealing with the field of income of natural persons.

Therefore, upgrading of experience of the tax administration for implementation of this Directive will be set as a short-term priority. Short-term priorities regarding the harmonisation of the Personal Income Tax Law will also refer to the preparations for implementation of the two recommendations, as follows: Commission Recommendation (94/79 EU) on the taxation of certain items of income received by non-residents in a Member State other than that in which they are resident, and Commission Recommendation (94/390 EC) concerning the taxation of small and medium-size enterprises, the provisions of will refer to natural persons - performers of independent activity, who are taxpayers of the personal income tax.

### **MEDIUM-TERM PRIORITIES**

The approximation of the national legislation to the EU legislation regarding the taxation of income of natural persons in the period 2008-2010 will be carried out through continuous and intensive process of analysing and harmonising the national legislation with the EU Directives and adoption of new Personal Income Tax Law and its bylaws, which will be implemented when the Republic of Macedonia becomes member of the EU. The Law will incorporate EU directives and recommendations from this field.

The realisation of these measures will be carried out through special projects and engagement of foreign consultants from the EU Member States, in order to create conditions for incorporation and implementation of the new solutions compatible with Directive (32003L0048) on taxation of savings income in the form of interest payments and the special agreements between EU and Andorra, Liechtenstein, Switzerland, Monaco and Austria.

What is of special importance for this Law is its harmonisation with the Directive concerning the income in the form of interest payments. The main objective of this Directive is confirmation that the income from the savings income in the form of paying interests (from denar deposits with banks, debentures to other financial claims), paid in the Member State of a natural person who is a resident of another Member State, is successfully taxed in accordance with the legislation of the latter Member State, i.e. the state in which the natural person is resident. Having in mind the above-mentioned purpose, mechanism for automatic exchange of information is set for many member states about the interest rates of the natural persons between the Member States regarding their residents. To that end, and in accordance with the Directive concerning mutual assistance by the competent authorities of the Member States in the field of direct taxation, certain kinds of excise duties and taxation of insurance premiums, the Republic of Macedonia would have to incorporate the provisions of the Directive in the national legislation, and by the day of its accession at the latest, to apply the requirements for automatic exchange of information regarding interest payments and other income of natural persons, subject to taxation in accordance with the personal income tax.

## **3.16.3 ADMINISTRATIVE COOPERATION AND MUTUAL ASSISTANCE**

The harmonisation of the legislation concerning mutual assistance at direct taxation (31977L0799, amending Directive 1070/EEC of 6 December 1979) is carried out through the Agreements on Avoidance of Double Taxation concluded between the Republic of Macedonia and EU member states.

Republic of Macedonia has concluded 25 Agreements on Avoidance of Double Taxation, 11 out of which with EU Member States or 13, including Bulgaria and Romania. Regarding the other EU Member States, 3 agreements are in the process of ratification in

the Republic of Macedonia (Germany, Great Britain and Latvia), 2 agreements are to be signed yet (Belgium and Austria), and 1 agreement with Slovakia, which is in the final state of harmonisation.

Regarding the exchange of information with other countries, in particular EU Member States, the following was achieved in 2006: PRO published the ratified Agreements and Treaties on Avoidance of Double taxation on its website, as well as the necessary forms for their implementation both in Macedonia and English, comparative review on tax rates applied pursuant to the above-mentioned Agreements and Treaties, and Instructions on Implementation of International Legal Assistance.

Pursuant to Article 26 in the OECD Model Tax Convention, the Public Revenue Office received 13 requests for exchange of data and information from the competent bodies in other states. The Public Revenue Office provided data upon 12 requests and submitted them to the competent bodies, while regarding one of such requests, the procedure for gathering data and information is in progress. Pursuant to Article 26 in the OECD Model Tax Convention, the Public Revenue Office sent 25 requests for exchange of data and information to the competent bodies in other states. The PRO received response to the request only from 5 states.

### **SHORT-TERM PRIORITIES**

Acceleration of the process of ratification of the Agreements on Avoidance of Double Taxation with Germany, Great Britain, Latvia, Belgium and Austria, as well as the acceleration of the process of realisation of the final stage of the harmonisation with of the Agreement with Slovakia.

Short-term priorities of the Public Revenue Office regarding exchange of information, and pertaining to the application of Article 26 in the OECD Model Tax Convention: establishment of registry of authorised persons for contact and exchange of data from the countries with which the Republic of Macedonia has concluded Agreements on Avoidance of Double Taxation; appointment of authorised persons by the Public Revenue Office of the Republic of Macedonia for exchange of data and information; establishment of direct contact with authorised persons from other states in exchange of information when applying the Agreements on Avoidance of Double Taxation.

### **MEDIUM-TERM PRIORITIES**

The conclusion of Agreements on Avoidance of Double Taxation with the other EU Member States, such as Luxembourg, Ireland, Greece, Portugal, Estonia, Lithuania, Cyprus and Malta.

Council Regulation 32003R1798, as one of the most important documents in the field of exchange of information and mutual cooperation of the Member States, will be directly applied from the date the Republic of Macedonia becomes member of the EU, taking into account that it is a legal act that directly obliges the Member States to apply it, and there is no need for its prior incorporation in the Macedonian legislation.

The medium-term priorities of the Public Revenue Office are establishment of electronic and spontaneous exchange of data with the countries with which the Republic of Macedonia has concluded Agreements on Avoidance of Double Taxation.

## **3.16.4 STRENGTHENING OF THE CAPACITY OF THE PUBLIC REVENUE OFFICE**

### **LEGAL FRAMEWORK**

The legal framework that regulates the administrative capacity of the Public Revenue Office in terms of its scope of operations, organisational setup, manner of performing the operations and management, as well as authorisations and responsibilities regarding the data collection, recording, processing and protection pertaining to the operations of the Public Revenue Office is the Law on Public Revenue Office, adopted in September 2005.

In January 2006, the Assembly of the Republic of Macedonia adopted the Law on Tax Procedures, thus creating unified basis for general tax law and tax administrative procedure. It regulates, in a unified manner, the following: general tax law; tax calculation procedure; tax control procedure; public revenue collection procedure; rights and obligations of the taxpayer, and tax criminal proceedings and fines procedure. The Law is applied from 1 April 2006, and many bylaws and operational instructions have been adopted.

The above-mentioned legal framework provides for the possibility to strengthen the administrative capacity for enforcement of the legislation and fight against tax evasion by undertaking short- and medium-term measures.

### **Institutional Framework**

The Public Revenue Office (PRO) is a state administrative body within the Ministry of Finance, with a legal personality. It performs its activities through the Head Office, the regional offices (six regional offices and one Directorate of Large Taxpayers) and tax units with a total of 1251 employees (as of 30 October 2006 inclusive).

## **CURRENT SITUATION**

The legal framework provides for restructuring of the PRO Head Office, changes in the organisational setup at regional and local level according to the principle of functional organisational setup, as well as organisational setup of the Directorate of Large Taxpayers. The PRO Head Office is organised in separate departments for functions and support, while the internal control and audit, complaint and legal services unit are directly managed by the PRO Director. To that end, in the course of 2006, new organisational setup and systematisation acts were adopted, and the number and type of the necessary personnel were determined, managers were appointed and employees were deployed at all levels.

Regarding the fight against tax evasion, during 2006, a comprehensive programme was prepared on collection and creation of measures to measure the performance, as well as co-programmes on electronic tax services.

The electronic tax service system started operating in the Directorate of Large Taxpayers starting from 1 July 2006, enabling electronic filling in of the tax returns. Agreements on electronic transfer of data from the tax returns were concluded, and identification codes were awarded to 91 large taxpayers, while the personnel works stronger on attracting the taxpayers to this manner of submitting the tax returns and increasing the number of users.

Regarding the establishment of comprehensive programmes on tax collection, the Public Revenue Office has enabled for an electronic connection with the Central Register of the Republic of Macedonia, through which the one-stop shop system for registration of legal entities and persons registered in other basic registries kept in the Republic of Macedonia will operate. The PRO has undertaken the main role in this system regarding the awarding of tax identification number (TIN) for the purpose of identification of each taxpayer in the tax procedure and its electronic submission to the Central Register, which enters the number in the registration certificate.

Newly employed persons in the Directorate of Large Taxpayers attended educational courses in the field of tax policy and its implementation, as well as comprehensive training in enforcement of the Law on Tax Procedures.

The Directorate of Large Taxpayers, being operational since 1 July 2006, and accommodated in an adequate working premises from 26 September 2006, carried out the following activities: introduction and operationalisation of the function – services to taxpayers; longer-term planning of external controls at the large taxpayers on the basis of prior analysis and observation of their risk level; implementation of the tax debt collection processes.

Programme on building measures to measure the performance is in the process of realisation, envisaging identification of the key set of performance measure when administering the taxes, comprising quantitative and qualitative measures for each functional area in the PRO, development of standards for each performance; determining criteria, procedures and forms pertaining to carrying out quality control of each functional area, as well as regular public announcement of reports on the operations and introducing methodology to measure the level of satisfaction at the taxpayers with the overall operations of PRO and its different programmes.

Other envisaged activities, not being fully completed, pertaining to the measure - creation of a comprehensive programme for collection and creation of measures to measure the performance are in the process of realisation.

## **SHORT-TERM PRIORITIES**

In the course of 2007, overall capacity of the Public Revenue Office will be strengthened through:

- implementation of segments of simplified tax systems on direct taxation, ensuring adequate education of the employees and providing a software infrastructure;
- development of special programmes on services to taxpayers that encompass preparation of national strategy, knowledge base and technical support for its application, hosting and updating the PRO website, preparation of educational and information written materials and organising seminars for the taxpayers. Activities will commence in 2007 and will continuously be implemented on the medium-term as well;
- PRO will design a strategy for improving the administering medium and the large taxpayers, which will be implemented and further developed during 2008
- Collection of tax arrears and liabilities on the basis of late tax returns will continue to be strengthened by developing a strategy, plan, methods, procedures and education for the employees.

Undertaking structural measures for urgent reforming of the control policy, by improving the control capacity and developing audit strategy and respective objective control systems. Special methodology will be developed regarding the control during registration of new businesses, detecting unreported taxpayers, fast control methodology, full control methodology, methodologies for the possibility and the types of collections of tax arrears. To that end, targeted training will be organised on tax control by types of activities, as well as specialised training on control methodologies. Control methods on combat against corruption and other punishable acts will be developed. For the purpose of realising the audit objectives, planning criteria will be prepared, while regarding the monitoring of their realisation, standards on performance measurement will be designed. Realisation of these objectives requires employment of external control inspectors.

Within the Directorate of Large Taxpayers, function pertaining to services to taxpayers and function pertaining to tax control by economic sectors will be developed for the purpose of maximum efficiency and effectiveness in tax administration and control.

There will be educational courses on special methodologies on control at the large taxpayers, paying special attention to the application of the International Accounting Standards. Education on the application of the IAS is also planned within the REPARIS Programme with the World Bank, the training schedule of which is not defined yet.

Education will also be organised on the application of the transfer prices methodologies.

New adopted methods will be transferred to other organisational parts in the PRO, thus carrying out education courses.

Adoption of a strategy for audit of objective control system and respective IT systems will provide for defining the objective control selection criteria, risk factors for special taxes and special status of the companies, to the end of avoiding the subjective approach when selecting the control, as well as avoiding the discriminatory application of the legislation.

A comprehensive software package is envisaged to be prepared so as to fully realise the indicated measures.

It is necessary to continue with the effects from the undertaken measures through further reform of the tax administration and ensuring its proper functioning. To that end, the electronic tax services need to be further developed and upgraded by providing other electronic communication with the taxpayers, envisaged to be completed by the end of 2007, and ensuring electronic tax services for the small taxpayers as well.

### **MEDIUM-TERM PRIORITIES**

The Electronic tax services will be developed and aimed at servicing the small taxpayers in 2008, and the citizens in 2009.

Starting from 2008, the PRO will continue the implementation of the Strategy for control of VAT, excises and direct taxes by adopting three-month plans with specific activities.

Operations in the field of human resources is priority for the Public Revenue Office. The establishment of the Sector for Human Resource will lead to preparation of Strategy on employment, education, training annual plans and programmes in line with the needs of the working posts and the experience of the employees, and the needs for new employment will be defined as well. Activities pertaining to the professional behaviour of the tax workers will gain pace, leading to development of models of operations of the internal audit and the internal control.

It is planned to create a location for centralised receipt and processing of the tax returns and adequate education of the employees as a special measure to improve the capacities of PRO and to efficiently use the personnel in 2009.

One of the priorities, which is of special importance for the PRO, is the development of IT systems, in particular the establishment of excise IT systems (MVS, EWS/E and SEED) and their connection with the EU computer systems, establishment of computer systems for excise movement and control inside the Community (EMCS), establishment of VAT Information Exchange System (VIES), establishment of a new organisational part within PRO with specially educated personnel, which requires employment of personnel and adequate equipment.

The PRO plans to include and give priority to the indicated programmes for connection with the EU systems. If these programmes are standardised and with a different IT platform, they would have to be procured, new equipment, IT personnel and its training would need to be provided and organised, as well as integration in the overall IT system of PRO. Regarding the excise systems, the PRO can plan all this if it is completely certain that the competences for excise administration remain within the PRO and are not transferred in the Customs Administration in 2008.

The EMCS and VIES systems are established before the accession of the country in the EU. Technical assistance for designing the systems and the manner of their implementation are common for the countries that start establishing them, and therefore PRO will need assistance as well.

At the same time, it is necessary to establish a special organisational part (Central Liaison Office), which will have direct access, for VAT and excise purposes, to the database in the other EU Member States, and will be responsible to control the relations between the taxpayers in the member states.

The establishment of the Office will incur certain expenses pertaining to the following: premises, equipment, hardware and software, new employments and education of the employees.

The largest portion of the budget funds will be used for introduction of new IT systems (hardware and software), training of personnel for its use and maintenance, as well as provision of premises and office equipment, where they will be situated as a separate liaison office. No foreign assistance has been provided for this purpose, but it is reasonable to expect some. Remaining funds are necessary for the establishment of the new systems of operations, new employments and personnel education.

## INSTITUTION BUILDING REQUIREMENTS

BUDGETARY BENEFICIARY/ INSTITUTION	INSTITUTION/ SECTOR	Current status 31.12.2006	2007	2008	2009	2010	Total
09001: Ministry of Finance	MF:Sector for Tax and Customs System	19	2	2	2	1	7
09001: Ministry of Finance Total		19	2	2	2	1	7
09005: Public Revenue Office	PRO: Large Contributor Office	0	0	0	0	0	0
	PRO: Large Tax Payers Office	35	0	0	0	0	0
	PRO: Public Revenue Office	1251	30	30	30	20	110
09005: Public Revenue Office Total		1286	30	30	30	20	110
<b>TOTAL</b>		<b>1305</b>	<b>32</b>	<b>32</b>	<b>32</b>	<b>21</b>	<b>117</b>

## FOREIGN ASSISTANSE

CARDS 2006 (CAFAO MAK) Technical assistance for customs and taxation – 1.000.000 EUR.

Imf – Holland Government, GTZ, USAID Support of PRO – strengthening of administrative capacity, structural measures, IT strategy – 3.720.081 EUR.



## **3.17 ECONOMIC AND MONETARY UNION**

### **3.17.1 GENERAL GUIDELINES**

The laws regulating the public finances and the operations of the National Bank form the main legal framework in this area.

One of the more significant documents in the part of public finances is the Fiscal Strategy of the Republic of Macedonia, which approximates the process of planning of public finances of the Republic of Macedonia to the principles of the European Union Member States. The Fiscal Strategy is prepared for a period of three years and provides basis for defining of the general economic policies of the Government, through determination of the guidelines of the macroeconomic and fiscal policy, financial management and adequate control of spending the budget funds. The fiscal strategy defines the following: the macroeconomic framework for the current year and projections of the basic indicators during the next three years, realisation of the budget revenues and expenditures in the current year and their medium-term projections, as well as assumptions and risks that determine the medium term projections and policies of the Government.

The process of integration into the EMU takes place in four stages: prior membership, membership in the European Union, entry into the ERM2 and entry into the EMU.

The main institutions in this regard (the Ministry of Finance, the National Bank of the Republic of Macedonia, the Ministry of Economy and the State Statistical Office) carry out obligations in the area of adoption and application of the laws, implementation of the policies, improvement of the quality of statistical data, as well as coordination of the economic policies.

### **3.17.2 Monetary policy**

#### **CURRENT SITUATION**

#### **LEGAL FRAMEWORK**

##### **Law on the National Bank of the Republic of Macedonia**

The Law on the National Bank of the Republic of Macedonia (Official Gazette of the Republic of Macedonia No. 3/02, 51/03, 85/03, 40/04, 61/05 and 129/06), is to a large extent harmonised with the European regulations pertaining to the objective and the positioning of the central banks in the European Union countries, primarily the Statute of the ESCB and the European Central Bank.

According to Article 3, paragraph 1 of the Law, the main objective of the National Bank is to maintain the price stability. The National Bank supports the economic policy and the financial stability of the country without jeopardizing the realisation of the main objective, and adheres to the principles of market economy (Article 3, paragraph 2 of the Law).

The National Bank has a high degree of independence guaranteed under the Constitution of the Republic of Macedonia and the Law on the National Bank. Pursuant to Article 60 of the Constitution of the Republic of Macedonia, the National Bank is independent and responsible for the stability of the currency, for the monetary policy and for the general liquidity of national and international payments.

The National Bank is independent in performing its functions, enjoying financial and administrative autonomy. When performing its functions, the National Bank and the members of the decision-making bodies neither require nor get instructions from the state authorities and the state administrative bodies (Article 4 of the Law). The National Bank determines the instruments for performing its functions.

According to Article 70 of the Law, the Governor of the National Bank is appointed and dismissed by the Assembly of the Republic of Macedonia upon proposal of the President of the Republic of Macedonia, for a 7-year term of office, eligible for one consecutive re-election. Three Vice-Governors are appointed in the National Bank. The Vice-Governors are appointed by the Assembly of the Republic of Macedonia upon proposal of the Governor for a 7-year term of office, eligible for one consecutive re-election (Article 70 of the Law). The external members of the Council of the National Bank are appointed by the Assembly of the Republic of Macedonia upon proposal of the President of the Republic of Macedonia for a period of 7 years, without eligibility for another consecutive re-election (Article 60 of the Law). The law regulates (Articles 60, 70 and 73) the cases of termination of the term of office and the dismissal from office of the Governor, the Vice-Governors and the external members of Council of the National Bank.

The longer term of office of the Governor, the Vice-Governors and the National Bank Council external members compared to the term of office of the Government and the President of the State ensures their personal independence.

The National Bank enjoys financial and administrative independence (Article 5 of the Law). The financial plan (draft budget) and the financial statements of the National Bank are adopted by the National Bank Council (Article 92 of the Law). The capital of the National Bank is neither transferable nor subject to any encumbrance whatsoever (Article 7 of the Law).

The Law on the National Bank explicitly bans lending to and financing of the state authorities and state administrative bodies. The National Bank does not guarantee for the liabilities assumed by the state authorities and state administrative bodies (Article 51 of the Law).

In 2006, amendments were made to the Law on the National Bank aimed at strengthening the financial independence of the National Bank by earmarking a major portion of the profit (70%) to the general reserves, and a minor portion (30%) in the Budget after this level is reached. Such distribution will remain until the general reserves reach the level of the core capital, after which 15% of the net profit will be distributed to the general reserves of the National Bank, while the remaining 85% in the Budget of the Republic of Macedonia.

Amendments were also made making the decisions made by the Governor in an administrative procedure final. The right to lodge an appeal to the Council of the National Bank upon the decisions of the Governor regarding external issues is abolished and this right is exercised directly at the courts. By exception, the right to lodge an appeal to the Council of the National Bank upon the decisions of the Governor regarding internal issues related to labour relations of the employees in the National Bank remains. The amendments were aimed at enhancing the efficiency in the decision-making by the Governor, being of exceptional importance for normal and legal operations of the banks, as well as for their timely enforcement and avoidance of the consequences from delayed undertaking of adequate measures.

### **Monetary policy and exchange rate policy instruments**

The Law on NBRM defines the legal framework for conducting the monetary policy and the exchange rate policy by determining instruments and measures. The current set encompasses the following instruments:

- Reserve requirement
  - Reserve requirement in denars
  - Reserve requirement in foreign currency
- Open market operations
  - Issuance of central bank bills
  - Repo operations for creation/withdrawal of liquidity<sup>10</sup>
  - Fine tuning operations – outright transactions in securities
- Overnight credit and deposit facility
  - Lombard credit
  - Overnight deposit

When conducting monetary policy, the National Bank applies indirect instruments for monetary regulation. Taking into account that the banking system is experiencing structural excess liquidity, the issuance of central bank bills prevails in the existing set of NBRM instruments, in addition to the reserve requirement, so as to sterilise the excess liquidity. In addition to the central bank bills, as of March 2006, the National Bank, in coordination with the Ministry of Finance, began issuing treasury bills for monetary purposes as additional instrument to sterilise the excess liquidity for a longer term. Treasury bills for monetary purposes are expected to contribute to further development of the secondary government securities market, increase their liquidity, avoid market segmentation, and achieve more efficient liquidity management by the National Bank and the banks so as to improve the transmission mechanism of the monetary policy.

In conditions of structural excess liquidity, the introduction of auction repo transactions aims at managing the liquidity on a shorter run by occasional interventions. Thereby, auction repo transactions can be conducted in both directions, both for issuance and withdrawal of liquidity. On the other hand, introducing definite transactions in securities enables withdrawal or issuance of liquidity for a longer term so as to offset the factors permanently affecting the liquidity.

The reserve requirement is a traditional instrument of the National Bank, whereby the reserve averaging provision enables offsetting liquidity changes, as well as stabilizing the fluctuations of short-term interest rates on the money markets.

Overnight credit and deposit facility ensure creation of corridor of interest rates on the money markets and strengthening of the signal mechanism of the National Bank. These instruments apply upon an initiative launched by banks, in conditions of unplanned liquidity excess/shortage on the money markets.

Taking into account that the government securities market is one of the more important segments on the financial markets through which the monetary policy is implemented, the National Bank is actively involved in supporting the development of the primary and secondary government securities market. After the successful start of the functioning of the primary treasury bills market in early 2004, where the National Bank is agent of the state, during 2005, the National Bank was focused on establishing regulatory and infrastructural framework for trading in treasury bills on the secondary market. The market infrastructure for trading

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<sup>10</sup> The Decision on definitive and repo transactions entered into force on 1.12.2006 and at the same time, the Decision on auction of NBRM credits ceased applying

in securities in the Republic of Macedonia was upgraded by establishing over-the-counter markets, where sale and purchase transactions in securities are concluded, outside the stock exchange, in direct relation between the buyer and the seller (no intermediaries), thus reducing the high transaction costs. At the same time, over-the-counter markets enable real-time settlement, in the same day, which creates an environment for more efficient liquidity management both in banks and other financial institutions and in entities in the non-financial sector.

At the same time, to the end of enhancing transparency of trading on the over-the-counter markets, an electronic system was established through which banks can list daily their purchase and sale prices of government securities and to make sale and purchase.

In addition, in order to further encourage the development of the secondary market and enhancement of liquidity of the central bank bills, the National Bank promoted introduction of repo transactions. In order to smoothly implement repo transactions, the National Bank prepared General Repo Agreement as legal framework for concluding repo transactions in the Republic of Macedonia.

In conditions of de facto fixed foreign exchange rate regime of the Denar in relation to the Euro, the National Bank is continuously present on the foreign exchange market through the interventions aimed at redemption or sale of foreign currency. Within the efforts to ensure more efficient intervention policy by the National Bank and in order to promote the operations on the interbank foreign exchange market, an electronic platform was introduced for listing and trading in foreign currency among banks. The electronic platform enabled the banks real-time monitoring of the information regarding trends in foreign exchange rates and direct electronic trading in foreign currency. This ensures greater transparency on the market, easier match of offer of and demand for foreign currency and setting foreign exchange rate on the basis of information on the market conditions in real time.

In addition, to the end of encouraging trading between banks and reducing its presence on the market in conditions of balanced offer and demand, the National Bank introduced market-makers on the foreign exchange market. These banks, which actually constitute the core of the foreign exchange market, have exclusive right to trade with the National Bank so as to fulfil interbank needs for foreign currency, as well as an obligation to continuously list sale and purchase foreign exchange rates in certain spread.

### **Statistics**

The National Bank is authorised for collection, processing and publishing (dissemination) of data on monetary statistics (1992 Guidelines on filling in, collecting, control and processing of the data on the book-keeping balance of the banks). The National Bank exchanges data in the area of monetary statistics with the State Statistical Office. The monetary statistics in the NBRM is compiled in line with the Monetary and Financial Statistics Manual of the IMF<sup>11</sup>. In addition to the monetary statistics, the National Bank also prepares certain financial indicators (interest rates of banks, interest rates on the money market, data on the treasury bills). The EU legal act 32001R0018(01) concerning statistics on interest rates has been largely implemented with the adoption of the Decision on submitting data on the interest rates of the banks for received deposits and loaned credits (Official Gazette of the Republic of Macedonia No. 25/2005) and the Guidelines on filling in reports on interest rates of accepted received deposits and loaned credits (Official Gazette of the Republic of Macedonia no. 25/2005). This regulation will be fully complied with once the Republic of Macedonia acquires the status of a Member State of the EU. In 2006 the balance sheet of the savings houses was incorporated in the monetary survey, thus ensuring full coverage of the trends in the banking sector.

The National Bank is authorised for collection, processing and publishing (dissemination) of data on balance of payments statistics. Such activities are carried out in cooperation with the State Statistical Office. The balance of payments is prepared in accordance with the Monetary and Financial Statistics Manual of the IMF - V Edition<sup>12</sup>. The data are prepared on monthly basis and are published 75 days after the reporting month, in US dollars, and since 2006 in euros as well. The adherence to the international standards and codes for compilation of the balance of payments was subject to evaluation by the ROSC<sup>13</sup> mission of the IMF in 2004, whose report was published on the IMF website. The assessment in the part of the balance of payments statistics are positive, which means that the compilation of the balance of payments is largely in compliance with the international standards.

To the end of improving the balance of payment statistics, in 2006, new sources of data were introduced, applying the gross principle of recording of certain items, as well as preparation of standard presentation of the balance of payments on quarterly basis, semi-annually.

In order to reduce the time for preparation of data on the balance of payments, a project on International Transaction Reporting System (ITRS) was launched by including three banks in the first preparatory stage of the project.

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<sup>11</sup> Monetary and Financial Statistics Manual, International Monetary Fund.

<sup>12</sup> Balance of Payments Statistics -V Edition, International Monetary Fund.

<sup>13</sup> Report on the Observance of Standards and Codes, International Monetary Fund, 2004.

## **Financial accounting**

In accordance with the Law on the National Bank of the Republic of Macedonia, the preparation of the financial statements and the financial reporting of the National Bank are made in line with the International Financial Reporting Standards IFRS<sup>14</sup>.

## **Law on State Statistics**

This law (Official Gazette of the Republic of Macedonia No. 54/97) regulates the layout and the operations of the state statistics, the methodological and organisational bases of the statistical research, the compilation, presentation, keeping, protection and provision of statistical data. The Law on State Statistics is harmonised to a large extent with the EU regulations in this area.

Since 1993, the State Statistical Office started implementing the methodology for calculating the gross domestic product, ESA 95, it has been continuously improving the calculations, and it has been following the on-going amendments. In 2002, the Standard classification of the institutional sectors was adopted, whereby they are grouped according to the type of production and their main activities and functions, which are taken as indicators for their economic behaviour. With a Government Decision dating September 2005, Classification of the institutional sectors was adopted, fully harmonised with the international recommendations according to ESA 95.

In November 2006, National classification of government finance statistics was established, the application of which enables harmonised collection, processing, analysis and publishing of statistical data on the units and transactions of government spending.

## **INSTITUTIONAL FRAMEWORK**

Pursuant to Article 60 of the Constitution of the Republic of Macedonia, the National Bank is determined as bank of issuance, which is independent and responsible for the stability of the currency, for the monetary policy and for the general liquidity of national and international payments. In line with the Constitution, the organisation and the operations of the NBRM are governed by a 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), the institution competent for drafting the Law on the National Bank is the Ministry of Finance, the Government proposes the Law, while the National Bank is an institution authorised to implement the Law, as well as a holder and an institution authorised to adopt the bylaws.

## **SHORT TERM PRIORITIES**

### **Adoption of new Law on the NBRM**

To the end of further harmonisation with the European legislation and the Statute of the ESCB and the European Central Bank, in 2007 a new Law on the NBRM will be adopted, eliminating and fine-tuning the legal provisions that are not harmonised with the European legislation. The new law will stipulate precise definition of the four types of independence of the National Bank (functional, institutional, personal and financial).

The new Law will stipulate precise definition of the provision pertaining to the ban on direct financing of the public sector by the National Bank, i.e. will be amended so as to explicitly ban crediting not only the state authorities and state administrative bodies, but also other public institutions. The new Law on the NBRM will stipulate precise definition of the provision pertaining to the protection against conflict of interests and regulation of the relations of the National Bank with the European Union pertaining to the cooperation with the ECB and the other institutions and bodies of the European Union.

### **Adjustment of the monetary instruments of the NBRM to those of the ECB**

In conditions of structural excess of liquidity, the National Bank will continue applying the instruments for withdrawal of liquidity, focusing on the efficiency of the auction mechanism, as well as improvement of the liquidity management. At the same time, the introduced overnight deposit will enable creation of corridor of interest rates, thus enhancing the effect of interest rates in signalling the directions of the monetary policy of the NBRM.

### **Adjustment of the statistics**

In the area of statistics, the following activities will be undertaken by the end of 2007:

#### *Balance of payments*

Further promotion of the manner of presentation of the data in the area of balance of payment statistics, in accordance with the international standards and recommendations (gross domestic debt and international investment position).

Further development of the system of electronic submission of data from the authorised banks, regarding the international transactions (ITRS<sup>15</sup>), shifting to the next phase of the project by including several banks and adjustment of software solutions.

Analysis of the possibilities for introducing alternative sources of data for assessment of private transfers in the balance of payments.

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<sup>14</sup> International Financial Reporting Standards, International Accounting Standards Board.

<sup>15</sup> International Transaction Reporting System.

### *Monetary statistics*

Harmonisation of the presentation of the monetary statistics, in accordance with the international standards and recommendations on sectorisation and classification of the financial instruments.

Beginning of activities for introducing statistics of financial accounts.

The Ministry of Finance of the RM plans to start using the methodology from the Manual on Government Financing from 2001, and start harmonisation to the methodology of EUROSTAT, namely ESA (European System of Account)

### **MEDIUM-TERM PRIORITIES**

In this period, along with the strengthening of the relations between the Republic of Macedonia and the European Union, a need will occur to regulate the following matters:

- The EU regulation 31998D0415, which pertains to submission of the legal regulations of the central bank of the Member State to the European institutions for consultations and opinion therefor; This Directive will directly apply when the Republic of Macedonia becomes member of the EU;
- The EU regulations 31971D0142, 31964D0300, 31964D0301 and 32001D0150, which pertain to the mutual co-operation between the national central banks and their cooperation with the ECB. This will be continuously supplemented, while all obligations will be fulfilled with the acquiring of the status of an EU Member State;
- The EU regulation 11997E110 pertaining to the application and the adherence to the ECB regulation by the national central banks, while the regulations 31998R2532, 31999R2157 regulate the powers of the ECB to impose sanctions against the national central bank for non-compliance with its regulations. These two regulations will be applied upon the accession of the Republic of Macedonia to the EU;
- In order to adjust further the set of monetary policy instruments of the National Bank to the layout of the monetary instruments of the ECB in the forthcoming period, depending on the conditions in the implementation of the monetary policy, the NBRM will make adjustments in the reserve requirement instrument (gradual reduction of the reserve requirement rate; change in the manner of calculating the reserve requirement; change in the period for maintaining the reserve requirement, etc.). Full harmonisation with the EU Directive: Council Regulation concerning the application of minimum reserves by the ECB 2531/98 will be made at the moment of accession of the Republic of Macedonia to the EMU;
- All other monetary instruments, except for the reserve requirement, which are being regulated with the EU act Guideline on monetary policy instruments and procedures of the Eurosystem, of 7 March 2002 amending Guideline ECB/2000/7, will be gradually harmonised with this legal act of the EU. Full harmonisation with the abovementioned EU Directive will be made at the moment of accession of the Republic of Macedonia to the EMU;
- In order to adjust further the statistics (the part that is within the competence of the NBRM) to the ECB requirements, in the forthcoming period the NBRM will continuously make adjustments. Most of the EU legal acts (32001R0018, 31998R2533, 32004O0001, 32002O0007, S32001R2423) will be applied in full, upon the accession of the Republic of Macedonia to the EU;
- The NBRM will continuously monitor the adjustment of the financial and accounting statistics and the manner of reporting to the ECB. The National Bank will start the preparations for application of the EU act 32002O0010 upon the accession of the Republic of Macedonia to the EU.

### **State Statistical Office**

The list of medium-term priorities of the State Statistical Office comprises the following activities:

- Review of the methodology for GDP calculation;
- Preparation of a Methodology for classification of the business entities according to the classification of government functions COFOG;
- Finalisation of the project for achieving comprehensiveness in the national accounts for the Western Balkan countries organised by the EUROSTAT and the OECD;
- Publication of the integrated set of economic accounts for the period 1997 - 2003 at the level of the whole economy and by institutional sectors;
- Commencement of calculations of value added at a quarterly level for the government sector and for the financial sector;
- Commencement of activities for calculation of the gross national product GNP.

### **FOREIGN ASSISTANCE**

During the past period, certain departments of the NBRM used technical assistance provided mainly by international financial institutions (IMF). The IMF technical missions were related mainly to improvement of the monetary policy instruments, liquidity management, foreign exchange market operations, payment systems, development of the money market and securities market, as well as to improvement of the monetary and balance of payments statistics. In addition, technical assistance has been received from experts from the Central Bank of the Netherlands and from the Central Bank of England. The NBRM personnel have been trained additionally by attending IMF seminars and seminars provided on a bilateral basis by other central banks.

### 3.17.3 ECONOMIC POLICY

#### EXPECTED MEDIUM-TERM MACROECONOMIC TRENDS

Basic objectives of the economic policy in the future period will be maintenance of the macroeconomic stability, acceleration of growth and achieving sustainability, as well as unemployment and poverty reduction.

The economic growth present in the previous years is expected to continue in the period 2007-2009 by achieving average GDP growth rate of approximately 6%. Due to its high share in the GDP structure, main driver of economic growth will be the industrial production, and growth is expected in other economic sectors, above all trade, construction, transport and communications, as well as financial services sector.

Price stability will continue to be one of the basic components of macroeconomic environment in this period, expressed via the average annual inflation of approximately 2.5% by the end of 2009. The monetary policy will be oriented towards this by continuing to apply the strategy of pegging the nominal denar exchange rate in relation to the euro.

Improvement of the overall economic environment, i.e. the realisation of more dynamic economic growth rates will contribute to employment growth by around 4% on annual level, and at the same time to reduction of the unemployment rate. To this end, reforms on the labour market will be necessary, as one of the key components in the process of improvement of the investment climate in the country. Thereby, reforms will cover simplification and reduction of bureaucratic procedures, regulations and administration, promotion of various flexible forms of employment contracts and employment arrangements, as well as improvement of the access to training and re-qualification of employees.

In accordance with the medium-term public debt management strategy, general government debt will be maintained at the level of 35-38% of GDP and the public debt at the level of 38-41% of GDP. Thereby, the Ministry of Finance will have active role in using the opportunities for early repayment of the public debt, where it is economically justified.

#### MEDIUM TERM AND LONG TERM OBJECTIVES OF MACROECONOMIC POLICY

Medium-term objectives of the Macroeconomic policy are: realisation of rate of economic growth of 6 to 8%, maintenance of low inflation rate in accordance with the Maastricht Criteria, improvement of the analysis of the current economic development. The Sector for macroeconomic policy within the Ministry of Finance will develop CGE (Computable general equilibrium model). With regards to the preparation for participation in the coordination of the economic policies one of the activities is the preparation of a Pre-Accession Economic Program and other relevant documents (National Development Plan and Strategic Coherence Framework)

Long-term objectives of the Macroeconomic policy are: decreasing of the unemployment rate to one-digit level, maintenance of growth rate twice higher than the growth rate in EU and development of sophisticated macroeconomic model for projection of economic indicators.

#### MEDIUM TERM AND LONG TERM OBJECTIVES OF PUBLIC DEBT MANAGEMENT

Medium-term objectives of public debt management are the following: Reduction of the stock of public debt to GDP; Development and maintenance of government securities market; Gradual increase of fixed interest rate debt; Increase of the share of debt denominated in denars, Increase of the share of euro-denominated debt in the structure of the foreign currency denominated debt; Increase of the share of domestic debt while decreasing external borrowing; Increase of the market debt, while gradually decreasing the loans from official creditors; Extension of the maturity of public debt; Ensuring smooth profile of repayments; Restrictive approach towards financing public projects by issuance of sovereign guarantees.

Long-term objectives of public debt management are the following: Continuous reduction of the stock of public debt to GDP and improvement of its structure; Minimising the costs for public debt servicing; Achievement of a sustainable level of risks to which the debt portfolio is exposed; Development and maintenance of government securities market.

#### INSTITUTION BUILDING

BUDGETARY BENEFICIARY/ INSTITUTION	INSTITUTION/ SECTOR	Current status 31.12.2006	2007	2008	2009	2010	Total
09001: Ministry of Finance	MF: Sector for Public Debt Management	9	1	1	0	0	2
09001: Ministry of Finance Total		9	1	1	0	0	2
<b>TOTAL</b>		<b>9</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>2</b>

#### FOREIGN ASSISTANCE

During the past period, the Sector for Public Debt Management has used technical assistance from the CARDS project "Technical Assistance for Institution Capacity Building of the Ministry of Finance in the Debt Management Function", as temporary stay of two consultants in certain areas, i.e. on public debt management and information technology, in the period from July 2005 until July 2006. Thereby, GTZ, USAID (World Learning) and FSVK, as donors, extended assistance to the Sector in the form of one working visit, three trainings and two-month course.

## **3.18 STATISTICS**

### **3.18.1 STATISTICS INFRASTRUCTURE**

#### **CURRENT SITUATION**

##### **LEGAL FRAMEWORK**

The basic legal act regulating the area of state statistics is the Law on State Statistics adopted in 1997 (Official Gazette of the Republic of Macedonia, No. 54/97). The Law lays down the basis for building a statistical system of the country with the following basic goals:

- provision of statistical indicators at national level;
- harmonisation with international statistical standards, classifications and other, and through its implementation provide comparative data with the other countries;
- quality statistical data based on new methodologies to follow and support our country towards accession to EU membership;
- meeting the international obligations of the Republic of Macedonia;
- preparation of comparative data with other countries on scientific bases that are in function of the support to the transition towards market economy.

The Statistical Research Programme is the most important piece of secondary legislation passed by the Government of the Republic of Macedonia and has been published in the Official Gazette of the Republic of Macedonia No. 69/03. The Program contains all statistical researches undertaken by the State Statistical Office and the authorised statistics carriers for the period 2003-2007. The most important users of statistical data were also included in the preparation of the Program. Its implementation represents the primary activity of the State Statistical Office.

##### **INSTITUTIONAL FRAMEWORK**

The State Statistical Office is an independent specialised institution and its competence and scope of operation is regulated by the Law on Organisation and Operation of State Administrative Bodies (Official Gazette of the Republic of Macedonia, No. 58/00) and the Law on State Statistics (Official Gazette of the Republic of Macedonia, No. 54/97).

##### **SHORT TERM PRIORITIES**

- Law Amending the Law on State Statistics
- Programme for Statistical Research for the period 2008-2012

##### **MEDIUM-TERM PRIORITIES**

- Law on Census of the population, households and dwellings, 2011

#### **ADMINISTRATIVE CAPACITY OF THE STATE STATISTICAL OFFICE**

##### **CURRENT SITUATION**

The scope of operation of the State Statistical Office is regulated by the Law on State Statistics. In accordance with the aforementioned Law, the statistical system of the country is centralised, and the State Statistical Office is the main bearer of the statistical activities in the country. Besides the State Statistical Office, participants in the statistical system are also the authorised statistics bearers (a total of 8) that produce official statistics. The Law on State Statistics defines the term "official statistics". The Statistics Council of the Republic of Macedonia, having the expertise and advisory role in state statistics, also plays a significant role in the statistical system of the country. The members of the Statistics Council are appointed by the Assembly of the Republic of Macedonia and they are experts in the area of statistics, economy, social and political system.

The State Statistical Office is managed by a director, which is appointed and dismissed by the Government of the Republic of Macedonia. The Director may have a deputy director. The independence of the Director of the State Statistical Office regarding the experts and methodological issues is guaranteed by the provisions of the Law on State Statistics. The position of the Director in relation to his/her appointment and dismissal shall be strengthened with the amendments to the Law.

The most important bylaw regulating statistical research is the Five Year Program that is to be adopted by the Government of the Republic of Macedonia, upon proposal of the State Statistical Office. The authorised bearers, a wide range of users and report units participate in the preparation of the Program.

The State Statistical office programs the activities during the year through the Annual Program of Operation enacted by the Director of the Office

The system of planning and programming in the Office directly relates to the Five Year Statistical Research Program and to the Annual Report on its implementation that is submitted annually to the Government for review and adoption. A system of strategic planning and monitoring of the Statistical Research Program implementation, assisted by foreign experts, that should include:

performance indicators, costs of statistical activities, activities monitoring and other elements is being established at the moment in the Office.

The further development directions and priorities have been determined in the Strategic Plan of the Office. The Office has determined its mission, visions and values, as well as priorities for the aforementioned period in the Strategic Plan for the period 2006-2008.

The activities of the State Statistical Office are financed by the Budget of the Republic of Macedonia. Certain activities and needs of the Office (ex: training, purchase of equipment, etc) are financed by means of collected financial assets, through services provided and publications sold to third parties.

The financial operations of the Office are performed according to Guidelines and monitoring of the Ministry of Finance.

The Government of the Republic of Macedonia, namely the bodies of the state administration, is the most important users of statistical data. At the same time, the aforementioned bodies are also providers of administrative data.

The relations with the local self-government bodies are especially expressed in the realisation of the censuses conducted by the Office. The Office has started an evaluation of the needs arising from the process of decentralisation in relation to request of data at local level.

The relations with the scientific and business community, the social organisations and others is ongoing and especially expressed in the preparation of the Five-year Statistical Research Program, in the preparation of statistical standards (classifications, nomenclatures, and similar), as well as in conducting massive statistical actions (censuses etc).

The internal organisational structure of the Office is regulated by a Rulebook on Organisation and Operation. At central level there are nine sectors four, of which conduct statistical research, and the others have a support function. At local level there are eight regional units with a basic function to collect statistical data and their primary processing. In order to improve the operation of the regional units, measures are undertaken in direction to increase the scope, the efficiency, quality improvement and greater independence in their work.

The Office at the moment has a total of 252 employees, of those 79 in regional units. The lack of expert and experienced statistical personnel is evident, resulting from personnel leaving the institution. The training of the employees is mainly conducted abroad, with financial assistance of foreign donors. The training of general character is partially conducted through the Civil Servants Agency.

The human resource policy of the Office is based on the legislative provisions determined in the Law on Civil Servants and internal acts of the Office. The implementation of this policy in the Office is not at a satisfactory level. In this sense, it is necessary to prepare an integrated plan for human resources development that shall determine the needs of the Office in personnel, employees' training, and etc.

#### **SHORT-TERM PRIORITIES**

- Establishing mechanisms for cooperation with data providers
- Improving the existing network of interviewers
- Education of the employees of the regional units in using the IT equipment.

#### **MEDIUM-TERM PRIORITIES**

- Strengthening the capacity of the State Statistical Office in strategic planning, budgeting and human resource management
- Improving the collaboration with data providers
- Capacitate the employees to use the upgraded IT infrastructure

### **3.18.2 STATISTICAL OUTPUT SUPPORT, TECHNICAL INFRASTRUCTURE**

#### **ASSESSMENT AND QUALITY MANAGEMENT**

##### **CURRENT SITUATION**

According to the Strategic Plan of the Office, its mission is to "produce and disseminate quality statistical information for the society and the economy, essential for the support of the democratic processes, the development of the economy and the EU integration process, as well as for scientific and research goals." In accordance with the Strategic Plan, the values stated are professionalism, independence and integrity, user-orientation, respect of data providers, quality and efficiency. In the Office there is no system for monitoring and quality assessment of statistical processes and data. From the quality indicators applied in the ESS, the Office continuously calculates variants and coefficients of variation for sample research, (non) response ratio. Special attention is paid also to timeliness and punctuality.



## **SHORT-TERM PRIORITIES**

- Establishing the bases of the system for statistical data quality and monitoring

## **MEDIUM-TERM PRIORITIES**

- Preparing methodological instructions for quality report and preparation of the quality report
- Implementing of all EU recommendations for statistical research and statistical data quality
- Developing a statistical data quality management system

## **IT INFRASTRUCTURE AND SSO SERVICES**

### **CURRENT SITUATION**

The information infrastructure, application development tools and human resources are important aspects of the IT environment that has an impact on the capability to react to the continuously increasing demands of users, the obligations deriving from the international cooperation and the process of European integration.

In the third quarter of 2006, through the SIDA project, three servers were purchased: backup, database and test server. The test server is aimed to establish an IT development environment to separate production from the development. Software was purchased together with the hardware:

- for backup
- for application development ( Visual Studio 2005 and PowerDesigner)

Regarding training, in 2006 five persons underwent application development training in Microsoft.net environment, as well as in data modelling and the training will continue with other four persons till the end of 2006 and the beginning of 2007.

Within the ongoing Twinning Project, in a series of three expert missions, a detailed evaluation of the IT environment was made and in the second half of December 2006 the prepared detailed specification of the equipment was submitted to the EAR. According to the EAR procedure, the tender for purchase of equipment shall be published on February 5. In the third quarter of 2006 three IT experts of the General Secretariat were reallocated to the SSO.

## **SHORT-TERM PRIORITIES**

- Upgrading the IT infrastructure and the used applications

## **MEDIUM-TERM PRIORITIES**

- Updating the IT environment for efficient support to the statistical production process and internal and external communication
- Establishment of metadata-driven integrated statistical information system

## **IT NORMALISATION AND COLLABORATIVE INFRASTRUCTURE FOR European Statistical System (ESS)**

### **CURRENT SITUATION**

The delivery of data to Eurostat were most frequently made by e-mail or on CDs. Attempts have been made to use STADIUM for data delivery, but it did not become a regular practice. The position of the SSO is to adopt the standard tools and applications for data transfer to Eurostat through a Single Entry Point (SEP) and a local coordinator has been appointed for this purpose. The following software has been installed: eWa server and STATEL that shall be used for data exchange with Eurostat. A data set exchange test has been made.

## **SHORT-TERM PRIORITIES**

- Use of products and tools of Eurostat for data transmission

## **MEDIUM-TERM PRIORITIES**

- Integrating data in Eurostat database by adopting the standard transmission tools

## **REFERENCE DATA AND METADATA DEPOSITS**

### **CURRENT SITUATION**

Metadata are important for rationalisation of the overall statistical process and for accessibility of data and their correct interpretation. It is also very important to adequately document the processes in order to provide continuous quality safety and monitoring.

In 2006 several new applications were developed or upgraded by using the new tools and the knowledge acquired through training, those being: application for collection of the basic metadata related to statistical researches and an application for the annual operation program designing. The application to monitor the execution of statistical program activities is in a test phase.

## **SHORT-TERM PRIORITIES**

- Preparations for central metadata base development

## **MEDIUM-TERM PRIORITIES**

- Development of a statistical metainformation system

## **RESEARCH IN STATISTICS AND METHODOLOGIES**

### **CURRENT SITUATION**

Regarding sample survey, in 2006 several new sample surveys were made (IKT.1 and IKT.3 in 2006), and there were enlargements in part of the existing ones (pilot-design and calculations at regional level for ARS and APD).

The lack of human resources is especially distinct regarding people who work on development of statistical methodologies, sample design and input processes. In the area of research and development, as well as in the area of statistical methodologies, a continuous upgrading and improvement of methods and software for designing and processing of the sample survey is necessary.

## **SHORT-TERM PRIORITIES**

- Master samples creation (of companies and households) using different administrative sources
- Application of calibration to reduce the effect of nonresponses

## **MEDIUM-TERM PRIORITIES**

- Organisation and introduction of training programs and technical assistance in the area of sample design theory

## **DATA SAFETY AND STATISTICAL CONFIDENTIALITY**

### **CURRENT SITUATION**

Regarding data protection, the Law on State Statistics has been harmonised with the current regulations of the EU enacted before the Law entered into force. For the purpose of fully harmonizing the newly adopted regulations, it is planned to full harmonise the Law with the following EU regulations:

- Commission Regulation (EC) No 45/2001 of the European Parliament and of the Council on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies and on the free movement of such data
- Commission Regulation (EC) No 831/2002 on implementing Council Regulation (EC) No 322/97 on Community statistics, concerning access to confidential data for scientific purposes

Individual data, including special categories of personal data for physical entities collected for statistical purposes, represent confidential data and can be used exclusively for statistical purposes and scientific research in accordance with the Law on State Statistics ("Official Gazette of the RM" No.54/97) and the Law on Personal Data Protection ("Official Gazette of RM" No. 07/05).

In the State Statistical Office measures have been undertaken to protect statistical data from unauthorised access or physical destruction.

Microdata from statistical research are located in a central server in a room with card controlled entry and surveillance cameras. Access to the databases is selective, by using the user name and password of the Unix servers and allocation of privileges in DB2.

In the State Statistical Office there is a defined daily backup procedure as well as a archiving procedure for data and applications after the conclusion of each statistical research. The backup and archived data are kept in a locked fireproofed safe-deposit in the SSO and in a rented safe-deposit box outside the facilities of the Office.

Protection related to network access is based on the principle of WindowsNT domain that is complete obsolete and shall be substituted in the third quarter of 2007 through the twinning project.

There is a regular system backup procedure for the servers and a user name and password allocation policy with appropriate privileges (administrators, operators, users).

For internet access of the employees a MS Proxy server is used that is also used for protection from outside entries.

For virus protection a Symantec Antivirus – Corporate Edition has been installed in a separate server, regularly updated.

Regarding the technical aspect of data security, there were two expert missions, within the Twinning Project, where the data security aspects and the network as a whole were extensively discussed. The recommended measures, construction of a de-

militarised zone, shall be implemented this year (2007) after the conclusion of the tender procedure for purchase of an adequate hardware and software is completed.

#### **SHORT-TERM PRIORITIES**

- Improving data security by upgrading the technology (hardware, software) and protection rules

#### **MEDIUM-TERM PRIORITIES**

Implementation of international information system protection standards

- Introduction of SDC methods and adequate software

### **3.18.3 DISSEMINATION**

#### **CURRENT SITUATION**

Dissemination of statistical data should enable access and use of statistical data by users in the country and abroad. Statistical data are available to users in several forms- printed publications of different periods, WEB dissemination and preparation of data according to the needs of the users.

In 2006, in the area of statistical data dissemination the following activities were realised:

- provision of statistical data according to requests of users,
- regular publication of the existing, as well as preparation of new publications in several areas,
- activities related to re-editing the edition Releases,
- start of activities to catalogue the books of the institution,
- further upgrading of the web page content,
- start of activities for full technical and content re-design of the INTRANET page,
- regular information for users on new products for dissemination,
- preparation of the new Decision on publications' prices and services as well as consistent respect of the legal obligation in relation to the Decision.

#### **MEDIUM-TERM PRIORITIES**

Increased use of statistical data and raising the awareness of the users for the official statistics

### **3.18.4 CLASSIFICATIONS**

#### **CURRENT SITUATION**

In 2001 the Government of the Republic of Macedonia adopted the *Nomenclature of Territorial Units for Statistics (NTUS)*. According to it, at NTUS 1 level and NTUS 2 level the territory of the RM is one unit, at NTUS 3 level it has 8 units – statistical regions, at NTUS 4 level it has 34 units – groups of municipalities and at NTUS 5 level it has 123 units – municipalities. Due to the new territorial organisation of the local self-government from 2004 (number of municipalities decreased from 123 to 84) and the EU Regulation 32003P1059, activities started for changes in the Nomenclature adjusted to the new territorial organisation and the EU Regulation.

The updating of the National Nomenclature of Industrial Products with the last version of PRODCOM –List version 2005, was conducted in 2006.

The State Statistical Office applies the *Classification of Products by Activities-CPA*, enacted by an EU decision in October 1993 and amended in July 1998. It is used as a median classification of products (goods and services) that are distributed by activities of the National Classification of Activities. Separate classifications for the industry, agriculture, construction and investments are prepared on the basis of this Classification.

The harmonisation to the CPA 2002 has been prepared in 2006. In the beginning of 2007 the National Classification of Products by Activities (CPA) was enacted as a statistical standard.

According to the recommendations of SHS 93 and ECC 95, the State Statistical Office adopted in 2002, as a national standard, the Standard Classification of Institutional Sectors grouped by the type of production and their main activities and functions that are taken as indicators of their economic behaviour.

In September 2005, the Government adopted by a decision a *Classification of the Institutional Sectors*, fully compliant with the international methodological recommendations in accordance with ECA 95.

In November 2006, by decision of the Government a *Classification of the functions of the government COFOG* was adopted.

The Classification according to the goals of the non-profit institutions serving the households COPNI has been translated.

*National Classification of Occupations NCO* is prepared and adjusted to the International Classification of Occupations ISCO-88.

The classification is used to collect, analyze, publish and disseminate data.

The national versions of NST (Standard classification of goods in transport statistics from EUROSTAT) as well as ADR (Classification of transport of hazardous goods) are used in the road transport statistics. NST is used in railroad transport.

The National nomenclature of construction sites and construction works, harmonised with CC (Classification of types of constructions 1997) is used in construction statistics.

In foreign trade statistics the following classifications and nomenclatures are used:

- Customs tariff nomenclature based on the Combined Nomenclature adopted by the Ministry of Finance;
- Standard international trade classification SITC, rev. 3 adopted by the UN
- Classification of goods according to their economic purpose based on SITC;
- Classification of goods according to the level of processing based on SITC;
- Classification of lands ISO – 3166 alpha- 2 code;
- BEC classification of the wider economic categories.

#### **SHORT-TERM PRIORITIES**

- Harmonisation of the Nomenclature of Territorial Units for Statistics NUTS at third level with EUROSTAT
- Harmonisation of the Classification of Occupations by Activities with the changes to follow in NACE rev.2. (translation of NACE rev. 2 and definition of relations between NCO rev.1 and NACE rev.2
- Preparation and adoption of Classification for the purposes of non profit institutions serving households harmonised with the international classification COPNI
- Adoption of classification of energents.

#### **MEDIUM-TERM PRIORITIES**

- Defining the final version of the national classification of activities NCA Rev.2
- Implementation of the Classification of activities according to the changes that follow in NACE.rev.2
- Adoption of Residual classification
- Revision of NST upon conducted revision of EUROSTAT
- Harmonisation of the National Classification of Occupations- NCO with the new version of the international classification of occupations ISCO -08

### **3.18.5 SECTORIAL STATISTICS**

#### **DEMOGRAPHIC, SOCIAL STATISTICS**

##### **CURRENT SITUATION**

In the area of population statistics, the Recommendations on census of the population and housing in the region ECE for the censuses around 2010 have been translated.

For the need to elaborate a population projection by regions (NUTS 3), data on fertility, mortality and migrations are analyzed in order to set hypotheses on future movement of the components of the demographic development.

Migration Statistics in Macedonia is kept on the basis of data collection by the Ministry of the Interior. The scope of persons going abroad for a period longer than three months is not complete.

In 2003 the National Strategy on Integrated Border Management was adopted and, on October 6, 2005 the National Action Plan for Integrated Border Management was adopted. The State Statistical Office is making efforts to include this strategy to improve the coverage of foreign migrants. SSO prepared and submitted to the Government of the Republic of Macedonia Information on the Foreign Migrations in the Republic of Macedonia, with draft-conclusions, in November 2004, prepared by a working group comprised of representatives from the Mol, MoFA, MLSP, the Institute of Economy and SSO in the period 2003-2004. The SSO, with a letter dated May 2006, asked to be included in the National Commission on Integrated Border Management, but has not yet received an official answer from the Commission. In the area of statistical monitoring of alien migration, with the purpose of providing electronic take over of data, the SSO, in cooperation with the Mol, is conducting a harmonisation of the data bases for

aliens. This is done on the basis of an Agreement for electronic data exchange with the Mol (September 2005). On the foundation of the analysis of databases obtained from the Mol for 2006, SSO has requested from the WG 24 Justice, Freedom and Security, to include the implementation of international classifications and standards as a short-term priority.

Demographic data are provided on all territorial levels (national, regional, municipal and at the level of settlement). In 2006 a publication with demographic indicators at regional level (NUTS 3) for the period 1994-2004 was published under the title "Demographic Statistics 1994-2004".

**Education Statistics** provide data and indicators for national and international needs (the questionnaire UOE-UNESCO, OECD, EUROSTAT).

In 2006 two new researches have been introduced: Research on enrolled students in post graduate studies and Research on persons in Ph.D. studies. The research on enrolled students in post graduate studies covers a year of studies, whereas the Research on persons in Ph.D. studies covers a calendar year.

The State Statistical Office is included in the strategic and financial planning and EMIS (Education Management Information System). The project is financed by the World Bank, and the Ministry of Education is the entity responsible for the implementation of the project. The project aims to establish a general information system – software for a common data base in the area of education (primary and secondary), based on simultaneous provision of information by schools, whereas the information would be aimed for different decision making levels (ministry, local self-government, SSO). The Project would be implemented in three phases, and upon full completion, SSO shall take data on education directly from the data base of the Ministry of Education and Science, and the statistical paper based forms would be abolished.

The State Statistical Office is the institution responsible for processing **data on mortality** by causes of death. Since 2006 the Epidemiology Institute encodes the causes of death according to MKB 10.

Within the **social protection researches**, an activity within the CARDS Twinning Project for the study of the ESSPROS methodology has been introduced.

**Labour Force Survey in the Republic of Macedonia** – Within the CARDS Twinning Project activities have been undertaken to improve the content of the questionnaires and the evaluation of the representativeness and size of the sample and the data quality on regional level. Experimental calculations have been made at regional level by quarters and annually for the years 2004 and 2005. In order to improve the quality of the results from the Survey at regional level and by quarters it is necessary to have population projections (at regional level and by quarters).

**Labour Cost Survey** – Regulations related to the calculation of the labour cost index are currently being studied.

**Work-Related Injury** – The data have been processed and are being analyzed in cooperation with the Republic Institute for Health Protection and Institute for Labour Medicine. It is planned, for the second quarter of 2007, to have this research as ad hoc module with a four year period coverage within the Labour Force Survey, and it has been prepared according to the EUROSTAT regulations ( 577/98; 384/2005; 341/2006).

**Household Expenditure Survey** – Experimental calculations have been made at annual level for the years 2004 and 2005. In order to improve the quality of the results from the Survey at regional level and by quarters it is necessary to re-design the sample and the calibration of data.

The Project for improving the *gender statistics* conducted with the support of the Swedish International Development Agency has been completed and a third publication titled "Women and Men in Macedonia" has been published. The State Statistical Office shall continue with the preparation of this publication on a biannual basis.

In the area of *Crime Statistics*, according to the changes in the Criminal Code ("Official Gazette of RM" No 19/2004), A Classification of Criminal Acts was prepared in 2005. It is planned to undertake consultations with users and authorised bearers in order to adopt it as a statistical standard.

The State Statistical Office conducts annual *research on science and technologies* according to the recommendations of EUROSTAT.

In 2005 a Survey on innovations was conducted according to the methodological instruction of EUROSAT (CIS 4- Communities innovation surveys 4). The research shall be conducted for periods covering several years.

The State Statistical Office, in cooperation with the State Industrial Property Office shall start preparatory activities to provide statistical data in the area of intellectual property rights.

### **SHORT-TERM PRIORITIES**

- Regularly follow changes in EU regulations in the area of migrations and harmonisation to those regulations and with the Recommendations on statistical following of international migrations from OUN/ECE and EUROSTAT
- Providing data on education costs through the Ministry of Education and Science
- Publishing data according to the International Statistical Classification of Diseases and Health Related Problems (10 Revision)
- Familiarisation with the ESSPROS ( European system of integrated social protection statistics) methodology
- Re-design of the Labour Force Survey according to the instruction of EUROSTAT for 2008
- Calculation of the Labour Price Index
- Provision of statistical data in the area of intellectual property

### **MEDIUM-TERM PRIORITIES**

- Conducting preparatory activities for the future Census of the population and housing
- Electronic exchange of data on aliens with Mol
- Compliance and harmonisation of data on migrations with the changes in the Regulation of the Council NO: 311/76/EEC
- Creating data on future movement of the population to create the future national and regional development policies
- Preparations to conduct income and living standard surveys -SILK
- Conducting research on wages in the public and private sector in 2008 and publication of the results
- Providing statistical data in the area of intellectual property

## **3.18.6 ENVIRONMENT STATISTICS**

### **CURRENT SITUATION**

The State Statistical Office conducts research in the area of waste and only of communal waste every two years.

The State Statistical Office also produces data on recycled industrial waste on a monthly and annual basis, as well as export and import of waste by types, quantities and value.

In the State Statistical Office annual researches are conducted at the level of settlements on total waste waters, waste and purified waste waters from settlements with public sewerage, waste water discharge, waste water discharge in river basin areas, sewerage system, devices for mechanical waste water treatment, chemical waste water treatment, biological waste water treatment, abstraction and removal of waste canal water and water resource utilisation by purpose and quantities.

The State Statistical Office has data on investments made in environmental protection through regular annual statistical research on investments. These data refer to actual investments/current costs for environmental protection, in total and by separate segments like: waste, water, noise, air, soil and water, and flora and fauna.

The Ministry of Environment and Spatial Planning (MESP) is currently undertaking activities related to the elaboration of the second National Report on Climate Changes. In the framework of the Report an inventory of green house gasses was completed according to the methodology of the international panel on climate changes (IPPC) covering all three green house gases- carbon dioxide, methane and nitrogen oxide. An inventory of sulphur dioxide was also made in the Report. The base year for collection and processing of data is the year 2000. Nevertheless, projections are given also for 2001 and 2002.

Introduction and disclosure of data in the area of air and quantities of emissions at the level of the Republic of Macedonia in the Statistical Yearbook shall be continuously conducted from 2006.

### **SHORT-TERM PRIORITIES**

- Establishing an annual cycle of disclosure of data in the area of air and quantities of emissions of 4 basic pollutants at the level of the Republic of Macedonia by sectors
- Supplementing the Cadastre of pollutants and air polluting substances on the level of RM with the traffic pollution on the main highway Tabanovce- Gegvelia

### **MEDIUM-TERM PRIORITIES**

- Research on communal waste that is regularly conducted to be revised according to the EU regulation on waste statistics
- Calculation of environment indicators in the area of water statistics according to the EU regulations
- Providing data on environment costs

### 3.18.7 MACROECONOMIC STATISTICS

#### CURRENT SITUATION

Calculations of the *gross domestic product with quarterly dynamics* are carried since 2000, only according to the production method, by fixed prices, where the base year is every preceding year. A Series from 1997 to date is now available. The calculations are based on the single indicators (monthly, quarterly short term indicators, quarterly research on non-financial business entities produced by the State Statistical Office), using at the same time comparative data from other sources (Public Revenue Office). The volume indices are calculated on the basis of quantitative data using adequate weights. The adjustment of the quarterly with the GDP data on fixed prices at an annual level is done by the pro-rata method. Only public consumption, investments in machinery and equipment, export and import of goods and services are calculated according to the expenditure method, at current prices. Initial calculations of the GDP have been made according to the expenditure method for the period 2002-2005.

The methodological recommendations of ESA 95 and SNA 93, the EUROSTAT Quarterly National Accounts Manual, the IMF on Quarterly National Accounts Manual and the EUROSTAT Manual on price and volume measures on national accounts, are being used in the calculations.

Currently a revision of the calculations is performed following, besides the recommendations of the abovementioned manuals, also the recommendations of the IMF technical mission. Currently the following activities are being conducted:

- Improvement of the quarterly calculations by doing calculations at the most detailed level at fixed prices and calculations and preparations for publishing of data on quarterly level at current prices
- Improvement of indicators for the assessment of the extrapolation of data on the basis of a sample obtained from the quarterly research on value added and investment in fixed assets for non-financial enterprises, and input of data in case of non-response.

For the period 1994-1996 an *integrated set of economic accounts on total economy and institutional sectors* is prepared and published. The methodological recommendations of SNA 93 and ESA 95 were used in the elaboration. The integrated set of economic accounts for the period 1997-2003 is being prepared.

The State Statistical Office started in 2005 the compilation of the *preliminary supply/use tables* for the year 2000 using the available data. At the beginning of 2006 publication on supply and use tables was prepared and published. The available qualitative and quantitative data obtained through statistical research on trade companies, the Household Expenditure Survey and other available data in the State Statistical Office have been analyzed, and in 2006 symmetrical input-output tables were prepared and disclosed. The Twinning Project envisages in 2007 activities for progress in this area and solution of the current problems.

Analyses of available data in the State Statistical Office and research of possible additional source of data for the calculation of the *value added at regional level* according to the NUTS Nomenclature, in accordance with the international methodological recommendations are being carried out.

In 1996, in cooperation with the OECD, the Republic of Macedonia was included in the pilot project *European Comparison Program*. The realisation of the activities from the European Comparison Program 2008 are being carried out, and currently market prices of goods and services from previously formed and adjusted lists of goods and services with EUROSTAT are being recorded.

The Republic of Macedonia, in the period 1999-2000 participated for the first time in the pilot project of EUROSTAT "GDP Exhaustion."

Currently, within the calculations of the gross domestic product the *non-observed economy* is being measured and included in the calculations in order to achieve overall coverage of the national accounts.

Corrections to achieve overall coverage of the GDP are done on the basis of the analyses of several data sources, and they are included in the calculations of the GDP of 1997 and are published in the regular annual publications regarding the Gross Domestic Product in the Republic of Macedonia.

A COPNI classification for the needs of the non profit institutions serving households has been prepared. It is expected to be adopted in February 2007.

The methodology for the elaboration of euro indicators and indicators for sustainable development is being studied.

## SHORT-TERM PRIORITIES

- Organising research on calculation of value added at quarterly level by current prices in the sector Financial Enterprises and the sector State
- Full implementation of the methodology for calculation of the quarterly GDP according to the expenditure method (at current and at fixed prices)
- Compilation of economic accounts by institutional sectors and preparation of an integrated set of economic accounts;
- Mastering the techniques for evaluation of missing data to balance the data on the supply and use tables
- Establishment of a data base for the calculation of the value added at regional level (NTES 3).
- Continuing activities within the PPP Project (Purchase Power Parity), according to the directions provided within EUROSTAT- coordinated through the heads of the groups (Central Group managed by Austria)
- Finalisation of the activities related to the project "Achieving Exhaustiveness of the National Accounts for the Western Balkan Countries" and implementation of further recommendations that would derive from the Project coordinated by OECD and EUROSTAT.
- Strengthening the capacity to prepare data for euro indicators and indicators of sustainable development
- Studying the methodologies for the provision of euro indicators and indicators of sustainable development

## MEDIUM-TERM PRIORITIES

- Continue activities within the PPP Project (purchase power parity), according to the directions given within EUROSTAT – coordinated through the heads of the groups (Central group managed by Austria) for the activities that are in accordance with the Action Plan.
- Improvement of nominal indicators for the calculation of the GDP at a quarterly level for the rest of the institutional sectors (Households and sector Agriculture)
- Starting preliminary calculations of value added at regional level;
- Preparation of input-output tables to be submitted to EUROSTAT
- Providing euro indicators and indicators of sustainable development and provision of data

## PRICES

### Retail Prices

## CURRENT SITUATION

Movement of retail prices is expressed through the retail price index and cost of living index. In function of harmonisation with the EU standards, the index is calculated according to the COICOP classification.

## SHORT-TERM PRIORITIES

Establishment of a national index in the direction of HICP

## MEDIUM-TERM PRIORITIES

Establishment of a methodology for the calculation of HICP

## STATISTICS FOR BUSINESS CYCLE ANALYSIS

## CURRENT SITUATION

The State Statistical Office collects processes and publishes the *short term statistical* data in accordance with the Council Regulation on short term statistics 1165/98 and covers the main indicators like the production volume index in the industry, producer price indices, construction, distributive trade, transport and catering.

In the segment for industry monthly surveys are conducted on production volume indices and producer price indices. The main source of data are the business entities in the area of mining, manufacturing industry and electricity, gas and water supply and business units of the enterprises engaged in other areas but have industrial activity. The data on producer prices of industrial products refer only to prices on the domestic market.

In the segment of *civil engineering* monthly and quarterly researches are conducted for short-term indicators in civil engineering. Data on the value of contracted and performed construction works, number of employees and performed effective hours are collected on a monthly basis. Data on the value of performed construction works by types of buildings are provided on a quarterly level. The construction statistics cover also the value of constructed and performed construction works abroad. The coverage of business entities is done on a monthly and quarterly basis, while privately constructed buildings are covered on an annual basis. In the segment of *catering* monthly researches on hotels and other accommodation facilities are conducted and quarterly researches for catering units, while data on turnover by types and categories of buildings, by municipalities and by type of service are provided on a monthly basis. In the segment of domestic trade, monthly and quarterly research on short term indicators in distributive retail and wholesale trade are conducted. Thus, data are provided on a monthly level on trade and inventory in retail and wholesale, while at quarterly level data are provided on trade, inventory and employees in wholesale.



## SHORT-TERM PRIORITIES

- Conducting experimental statistical research on construction permits
- Conducting experimental statistical research on income from sales and new orders in the industry

## MEDIUM-TERM PRIORITIES

- Calculation of indexes of income from sales of finished in industry
- Establishment of regular statistical research of construction permits
- Providing data on producer prices in total and for foreign market according to the Short Term Statistics Regulation No. 1165/98
- Establishment of research to monitor prices on construction materials, by construction position.

## 3.18.8 BUSINESS STATISTICS

### CURRENT SITUATION

Statistical research of *structural* statistics according to the Council Regulation on structural statistics number 31997P0058 has not been conducted yet in the State Statistical Office. The data on certain variables are collected by the existing annual researches. Structural statistics are covered to the largest extent in industry and transport, whereas in distributive trade, construction and catering data are not collected according to the Regulation on structural statistics

An analysis of the current situation and possibilities to conduct research in cooperation with the German Statistics within the Twinning Project is currently being conducted.

Energy balances according to the recommendations of EUROSTAT (as part of the pilot project of EUROSTAT "Harmonisation of Energy Statistics- phase 3") have been prepared in the State Statistical Office for the first time in 1998 and then regularly at an annual level. The methodology "Energy Statistics Methodology" EUROSTAT F4, 1998 is used in the calculation of energy balances.

Preparation of data for the period 1990-2005 in the form of annual energy balances is currently being done.

The State Statistical Office is preparing the annual energy data and they are in the initial phase for the start year 2003. The methodology used in the annual energy balances is used for the monthly calculations.

Research on *road transport of goods* is conducted by the State Statistical Office on quarterly basis. The methodology and forms are harmonised with the EU Regulation No 117/98. Currently activities are undertaken to assess the need to improve the research.

The State Statistical Office conducts research in the area of *railroad transport* on monthly and annual level. The research is fully in compliance with the Regulation No. 91/2003 as well as with the Directive No. 1177/80. Data are annually sent to EUROSTAT. The State Statistical office conducts 5 researches for *air transport* on monthly and annual level. They fully meet the requirements for data prescribed in the instructions of EUROSTAT ( Manual of the ICAO Statistics Programme, 1994). New researches are fully in compliance with the EU Regulation No. 437/2003.

The State Statistical Office does not conduct statistical research for inter modal freight transport due to the low occurrence of such transport. The State Statistical Office does not conduct research for transport safety.

The State Statistical Office conducts research for *telecommunication and postal traffic*. The methodological instructions and forms are prepared in accordance with the existing EU regulations. Research is conducted on a monthly and annual basis. These researches cover the mobile telephone communication.

In 2006 the State Statistical office conducted as regular the research for use of information-communications technologies in the Republic of Macedonia. Four researches were conducted on ICT utilisation by enterprises, financial institutions, households and individuals and public institutions. The methodology is harmonised with the EU Regulation No. 1099/2005.

The results were published and applied in the preparation of the National Information Society Development Strategy.

Within the *tourism statistics*, the State Statistical Office conducts statistical research adjusted to the methodological recommendations in compliance with the Council Directive on statistics in tourism (1995L0057).

The monthly research on tourists and overnight stays covers all business entities that have in their composition facilities for accommodation of guests/tourists and data are provided on number of tourists and overnight stays. The net utilisation rate of the facilities is not calculated. The Survey on Foreign Tourists, with a five year dynamic, sample based, covers foreign tourist in accommodation facilities. The Survey on Foreign Tourists, with a five year dynamic, sample based, covers foreign visitors exiting at border crossings.

The five year research on travels of domestic population follows the travel costs of households as a target group. The research shall be conducted in 2007.

The census of accommodation facilities in *catering* with a five year dynamic (conducted for the last time in 2003) covers all business facilities that have in their composition facilities for accommodation of guests-tourists. A census of sales facilities in retail sale is conducted in parallel to provide data on the structure of the sales network.

#### **SHORT-TERM PRIORITIES**

- Preparation of Annual energy balances for the period 1990-2005
- Establishing a Methodology for prices of energents and conducting experimental research

#### **MEDIUM-TERM PRIORITIES**

- Introduction of variables for the calculation of net-utilisation of facilities in catering
- Adjustment of statistical research in tourism and catering regarding types and categories of facilities for accommodation according to the directives and national legislation in cooperation with the Ministry of Economy- Sector Tourism
- Assessment of the quality of data in road freight transport
- Conducting a census on facilities in retail sale and catering in accordance with the recommendations of the EU Regulation on structural statistics No. 58/98
- Conducting test-statistical survey on structural statistics in industry, distributive trade, construction, transport and catering.

### **3.18.9 AGRICULTURAL STATISTICS**

#### **CURRENT SITUATION**

The State Statistical Office collects data on land utilisation within the statistical surveys on plant production and they are based on data taken from the Cadastre and reports from external associates, i.e., appraisers.

The State Statistical Office is currently undertaking preparations to conduct the Census in agriculture, 2007 that would provide data on agricultural land and arable land, number of cattle, agricultural production, agricultural technical measures, machines and equipment, facilities in the economy, forestry, fishery and labour force. Analysis of deficiencies in the statistics on the structure and typology of agricultural economies is being currently done.

In order to fully harmonise the procedure for the calculation of the *economic accounts in agriculture*, in accordance with the recommendations of EUROSTAT, the audit of current accounts and their improvement started in 2003. The Manual for economic accounts for agriculture, EAA 1997 (revision 1.1), published by EUROSTAT is used for the calculation of the economic accounts in agriculture. In 2006 started an audit of the data used to calculate the value added in the individual sector in agriculture by using data from the Agricultural Development Support Agency. Activities have been initiated for audit of the accounts on depreciation in agriculture by using data on investments in the period 1980-2000 and the index of producer prices with 1995 as base year (1995=100). Methodological preparations for the calculation of economic accounts at existing prices were conducted in 2006.

The State Statistical Office uses in the calculation of *indexes on prices in agriculture* the European methodology on agricultural prices 2000=100. The continuous calculation and disclosure of the indexes at monthly level continued in 2006.

The statistical research provide data on plant production, namely data on sown fields in the autumn and spring sowing season, the harvested fields and the yield from early and late sown areas, cattle production covering data on number of cattle by categories, slaughtered cattle and production of cattle products (meat, milk, eggs, honey).

The State Statistical Office conducts annual *research on sown fields in the spring and autumn sowing season and the achieved production from early and late sown areas and fruit*.

The researches fully cover the business entities through reports filled in by the enterprises on the basis of their accounting records.

Data for individual agricultural economies (family farms) are collected through a method of assessment of the land and the production.

Data on land, total production and production by hectare, by sown fields, by municipalities and by products are collected six times during the year.

The data on grape and wine production are collected three times a year, by municipalities and by products. The data on fruit production are collected 5 times a year, by municipalities and by products.

The number and weight of the cattle, the slaughtering, as well as the cattle production (meat, milk, eggs, wool and honey) are determined through a Survey on the number of cattle in the individual agricultural households and statistical surveys on business entities (annual research on cattle for legal entities and for segments of legal entities, quarterly research on slaughtered cattle and monthly research on sales and buy-out of agricultural products).

The data are processed according to the National Nomenclature of agricultural products and services adjusted to the European classification of products by activity, CPA 2002. According to the National Classification of Activities (NCA Rev.1) area A (areas of agriculture, hunting and forestry) is covered.

The State Statistical Office conducts annual research on the number of cattle in individual agricultural economies, sample based (sample surveys) through the method of interviews with the head of the household. The survey is performed by outside interviewers. For the legal entities and units within them, an annual statistical survey for cattle breeding is conducted. The monitored variables at annual level are the total number and weight of: horses, cattle, pigs, sheep, goats, poultry and bee families.

The State Statistical Office, on a quarterly basis, monitors the production, sales and stocks of *forest assortments* in state owned forests, whereas changes in land surface covered by forests, the forestation, lumbering, damages in forests, machines and traffic facilities in the forests and hunting are followed annually.

All data on production in state forests are obtained on the basis of bookkeeping records of the branch offices –FE of the PE for Forest Management "Makedonski sumi" and national parks that are legally responsible for the exploitation and protection of the forests.

Data on private forests are obtained through an assessment made by the branch offices FE of the PE "Makedonski sumi". Definitions and statistical research are adjusted and revised according to the valid EU Regulation.

The data on *fisheries statistics* are followed only for freshwater fishery through annual research. The annual report on freshwater fishery is conducted for legal and physical entities engaged in fishing in open freshwater sources (rivers, lakes, canals, accumulations and the like), or legal or physical entities registered for production of freshwater fish and other freshwater organisms. The balance of fish covers the following categories: initial situation, production and fishing of freshwater fish for consumption and buy-out of young fish stock. There is no significant fishing fleet in the Republic of Macedonia, thus data on vessels and equipment are collected from commercial fishery enterprises and co-operatives.

In the Republic of Macedonia there is no production of aquacultures.

Data on social-economic activities for the sector Fishery are collected and processed from several regular research and surveys conducted by the State Statistical Office.

#### **SHORT-TERM PRIORITIES**

- Conducting the Census of agriculture
- Disclosure of final results from the Census of agriculture
- Preparation of data on economic accounts in agriculture at fixed prices

#### **MEDIUM-TERM PRIORITIES**

- Establishing a Farm register based on data from the Census
- Preparation of the first structural research for farms and its conduction in 2009

### 3.18.10 MONETARY, FINANCIAL, TRADE STATISTICS AND STATISTICS OF BALANCE OF PAYMENTS

#### CURRENT SITUATION

The basic principles, standards and procedures for conducting statistical *research of trade of goods abroad* are based on the methodological recommendations of the United Nations "International Merchandise Trade Statistics: Concepts and Definitions", as well as the methodology for foreign trade of EUROSTAT.

The State Statistical Office conducts research for the calculation of import-export indexes of unit value and volume of the imported and exported goods. The data are published annually, but in the annual releases the following are presented: monthly data on the indices at the level of sectors and sections from the Standard International Trade Classification, rev. 3 and quarterly data at the level of sectors from the Standard International Trade Classification, rev. 3.

The National Bank of the Republic of Macedonia is competent for the collection, processing and publishing of data in the area of statistics of the *balance of payments*. Such activities are conducted in cooperation with the State Statistical Office. The Balance of Payments is prepared in accordance with IMF Manual for Balance of Payments<sup>16</sup> (Balance of Payments, Manual -fifth edition, IMF). Data are prepared on a monthly basis and published 75 days after the end of the reporting month in US dollars, and since 2006 in Euro. The compliance with the international standards and codes for the preparation of the balance of payments was subject to assessment by the ROSC<sup>17</sup> of the IMF<sup>1</sup> in 2004, and the report was published on the web-page of the IMF<sup>1</sup>. The evaluation in the area of balance of payments statistics is positive, meaning that the preparation of the balance of payments is to a large extent in compliance with the international standards.

In the direction of improving the statistics of balance of payments, in the course of 2006 new sources of data were introduced and the gross-principle is applied for recording individual items, as well as preparation of a standard presentation of the balance of payments on a quarterly basis with a semi-annual dynamics.

The Ministry of Finance of the Republic of Macedonia prepares financial reports on the other revenues and expenditures from the budget of the central government. The data are prepared on a monthly basis and disclosed 30 days after the end of the reporting month.

The National Bank of the RM is competent for the collection processing and publication of data in the area of *monetary statistics*. The National Bank of the RM exchanges data with the State Statistical Office in the area of monetary statistics. The monetary statistics is prepared in accordance with the Monetary and Financial Statistics Manual of the IMF<sup>1</sup>. The last ROSC<sup>2</sup> mission positively assessed the compliance of the monetary statistics with the recommendations in the IMF Manual<sup>1</sup>. For the preparation of the monetary statistics data are collected from banks and savings houses with a monthly dynamic (published one month after the end of the month). Based on these data a review is prepared on deposit banks, a review of the National Bank of the RM and a consolidated monetary review. In 2006 the balance of savings houses was incorporated in the monetary review, providing a full coverage of movements in the banking sector. Besides the reviews, the National Bank of the RM prepares certain financial indicators (interest rates of banks, interest rates on the money market, data for state records and similar).

#### SHORT-TERM PRIORITIES

- Calculation of export-import indexes with variable basis
- The State Statistical Office and the National Bank of the RM shall identify, through cooperation, the components of the balance of payments at the level of detail/disaggregation necessary for the national accounts system
- The Ministry of Finance of the RM plans to start using the methodology from the Manual on Government Financing from 2001, and start harmonisation to the methodology of EUROSTAT, namely ESA (European System of Account)

#### MEDIUM-TERM PRIORITIES

- The National Bank of the Republic of Macedonia shall work on providing adequate level of disaggregation by countries and by sectors, as well as further improvement of the quality of data, applied methodology and data sources.

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<sup>16</sup> International Monetary Fund.

<sup>17</sup> Report on the Observance of Standards and Codes.

### 3.18.11 REGISTERS

#### CURRENT SITUATION

In the State Statistical Office two administrative registers have been established and kept by law: Unique Population Register and Register of Territorial Units. Besides these registers, the Office is responsible for the organisational-technical and methodological processing of data from the Electoral Roll.

The basic goal of the State Statistical Office is to be relieved from performing administrative functions and transfer them to the relevant ministries and other institutions.

In the State Statistical Office currently a process for establishment and keeping of statistical registers is being conducted.

In accordance with the regulations and recommendations of the EU, a process of establishing and keeping statistical **Business Register** is currently being conducted, and administrative data from the Central Registry are being used as basis: the One-Stop-Shop and the Data Storage.

It is planned to conduct in 2008 a Census of business facilities in order to determine the activity of the business entities, the size, turnover and other.

The State Statistical Office keeps a *Statistical Register of Spatial Units* with the basic territorial units: municipality, settlement, cadastre municipality and statistical circle. Census circles are created for the needs of the censuses as the smallest unit from which data are collected. Excerpts from the Register are used to conduct censuses, surveys, pilot-projects and statistical research. The Register of spatial units is regularly updated from administrative sources: State Statistical Office and the local self-government in accordance with the changes happening in the state.

Census cartography is planned to be prepared by using new technologies.

*Statistical Population Register (SPR)* is part of the system of statistical registries in the State Statistical Office.

In the current period an application is being prepared directly linked with correct and full implementation on methodological bases. Undergoing are activities linked to taking over the input of data obtained from records of the Mol, the census material and from statistical research in the area of demographic statistics.

#### SHORT-TERM PRIORITIES

- Start of activities to relieve the State Statistical office from administrative functions and full dedication to its basic activity (continues also in the medium-term priorities)
- Definition and development of methodological bases and functionality of the SDR
- Definition of methodological material for conducting census of business entities
- Development of methodological bases and functionality of SRN, adjusted to the European standards and recommendations.

#### MEDIUM-TERM PRIORITIES

- Preparation of census cartography by using the new available technology
- Conducting a pilot research and Census of business entities

#### INSTITUTION BUILDING REQUIREMENTS

BUDGETARY BENEFICIARY/ INSTITUTION	INSTITUTION/ SECTOR	Current status 31.12.2006	2007	2008	2009	2010	Total
06001: Ministry of Interior	MI: Sector for Analysis, Research and Documentary	3	1	1	1	0	3
06001: Ministry of Interior Total		3	1	1	1	0	3
22001: State Statistical Office	SSO: Sector for IT	25	5	5	5	5	20
	SSO: Sector for Social Statistics	16	1	1	1	2	5
	SSO: Sector for Business Statistics	26	2	2	2	2	8
	SSO: Sector for Dissemination	18	1	1	1	0	3
	SSO: Sector for Labour Market and Living Standard	12	2	2	1	1	6
	SSO: Sector for Legal and Financial Affairs, EU Integration and International Cooperation	14	1	2	2	1	6

	SSO: Sector for National Accounts	16	2	2	2	3	9
	SSO: Sector for Organisation and Conducting Statistical Research	102	1	1	1	2	5
	SSO: Sector for Registers	19	1	1	1	0	3
	SSO: State Counsellors	2	1	1	0	0	2
	SSO: State Statistical Office	0	0	0	0	0	0
22001: State Statistical Office Total		250	17	18	16	16	67
RIHP: Republic Institute for Health Protection	RIHP: Institute for Health Protection (statistics)	7	1	1	0	0	2
RIHP: Republic Institute for Health Protection Total		7	1	1	0	0	2
<b>TOTAL</b>		<b>260</b>	<b>19</b>	<b>20</b>	<b>17</b>	<b>16</b>	<b>72</b>

## FOREIGN ASSISTANCE

In the period 2007-2008 part of the activities in the SSO will be financed through: National CARDS twining (institution building of SSO, national accounts, business and social statistics, strengthening of ICT capacities, quality performance practices, strategy for cooperation and communication); Regional CARDS 2003 – Program for statistics 2006-2008, Eurostat Grant Project for dissemination, SIDA Projects (agricultural statistics, environment statistics, meta data base, regional project for statistical methodologies.)

## **3.19 SOCIAL POLICY AND EMPLOYMENT**

### **3.19.1 CURRENT SITUATION**

#### **LABOUR LAW**

The new Labour Relations Law is in force since August 2005 and lays down the novelties as regards the fixed-duration employment contract from 3 to maximum 4 years, more flexible bases for conclusion of employment contract on fixed-term work at home, recruitment of house-keepers, greater opportunities for conclusion of employment contracts on a part-time work. As regards the collective redundancy, the new Labour Relations Law lays down the competent institution, and that is the Employment Agency of the Republic of Macedonia which should be informed in writing on the collective redundancies of workers in advance.

The new Law on Temporary Employment Agencies (Official Gazette of the Republic of Macedonia No. 49/06) regulates the conditions and the manner of establishing agencies for temporary employments as well as the conditions and manner of temporary employment concerning temporary work with another employer due to prevention of the grey economy and regulation of the employment and legal status of these persons.

By the Law on Employment and Insurance in Case of Unemployment (Official Gazette of the Republic of Macedonia No. 37/97, 25/00, 101/00, 50/01, 25/03, 37/04, 4/05) the workers that will be dismissed from work due to business reasons are entitled to remuneration, health, pension and disability insurance.

The workers that need up to 5 years of length of service to realise the right to pension realise their rights under unemployment until their reemployment or retirement through and from the budget of the Employment Agency of the Republic of Macedonia.

In the first half of 2006 (six month after its implementation), in cooperation with the CARDS Project Employment Policy phase 2, analysis was made concerning the alignment of this Law as well as of other laws in the field of labour law with the European legislation. Steps were taken for drafting a new Twinning Project establishing the activities regarding harmonisation of the legislation in the field of labour law with the EU measures.

The Law on Employment of Disabled Persons (Official Gazette of the Republic of Macedonia No. 44/00, 62/05) regulates the special requirements concerning the establishment of companies that recruit persons with disabilities and the benefits they are entitled to with such recruitment, as well as equalizing of the rights of the persons with disabilities, whether they work in disability undertakings or outside them. In September 2005, a Rulebook on the Criteria and Manner of Granting Funds from the Special Fund for Improvement of the Employment and Working Conditions of the Disabled Persons has been adopted (Official Gazette of the Republic of Macedonia No. 85/05).

The labour legislation of the Republic of Macedonia also encompasses the Law on Keeping Labour Records (Official Gazette of the Republic of Macedonia No. 16/04) which regulates the establishment of records in the area of labour and manner of their maintenance.

#### **HEALTH AND SAFETY AT WORK**

The Law on Safety at Work (Official Gazette of the Republic of Macedonia No. 13/98, 33/00 and 29/02) lays down the measures for protection at work, the obligations of the employer and the rights and obligations of the workers in the area of safety at work. The Law covers measures, means and methods providing safe working conditions. Protection at work is an integral part of the organisation of the work and the working process and it is organised, regulated and provided by the employer. The Law on Safety at Work defines the employer as any domestic and foreign natural person and legal entity which employs personnel. This Law is applicable to all employers, unless it is otherwise defined by another Law. Since the Law on Safety at Work pertains to all types of activities, it does not in entirety cover all necessary measures for protection at work, and this resulted with adoption of 50 specific rulebooks that regulate the area of safety at work.

Among them, at the end of 2005 the Rulebook on Protective Measures for Work with Display Screen Equipment has been adopted (Official Gazette of the Republic of Macedonia No. 115/05) and aligned with the Directive 31990L0270.

In May 2006 the Government of the Republic of Macedonia passed the National Strategy on Health, Healthy Living and Working Environment and Safety at Work.

The bylaw on organisation of the Ministry of Labour and Social Policy provides for a Unit for Legislation in the Sector for Safety at Work within the State Labour Inspectorate, which will be comprised of three experts who will work on the alignment of domestic regulations with the regulations of the European Union.

Part of the equipment and vehicles for the State Labour Inspectorate has been procured. The activities will be continued in the upcoming period, and special attention will be paid to training the personnel.

## **SOCIAL DIALOGUE**

The social dialogue in the Republic of Macedonia has been established and functions on a number of levels, such as on tripartite and bipartite level. The Labour Relations Law (Official Gazette of the Republic of Macedonia No. 62/05) constitutes the basis for the establishment of the Economic and Social Council and lays down the competencies thereof.

In 2002, the Government of the Republic of Macedonia and the Federation of Trade Unions of Macedonia signed a Social Agreement laying down the issues, priorities and requirements in the economic and social area.

According to the Labour Relations Law a General Collective Agreement on the Economy of the Republic of Macedonia has been signed (Official Gazette of the Republic of Macedonia No. 76/2006) as well as the following branch collective agreements: Collective Agreement on Social Protection of the Republic of Macedonia (Official Gazette of the Republic of Macedonia No. 83/2006); Collective Agreement on Communal Activities (Official Gazette of the Republic of Macedonia No. 107/2006); Collective Agreement amending the Collective Agreement of the Ministry of the Interior (Official Gazette of the Republic of Macedonia No. 16/2006).

The Unit for Social Partnership in the Ministry of Labour and Social Policy has been staffed with two recently employed persons.

## **EMPLOYMENT POLICY AND EUROPEAN SOCIAL FUND**

The Employment Policy that is being implemented in the Republic of Macedonia is in direction of accomplishing the commenced process of reforms in this area. The Law on Employment and Insurance in Case of Unemployment (Official Gazette of the Republic of Macedonia No. 37/97, 25/00, 101/00, 50/01, 25/03, 37/04, 4/05) incorporates the following:

- Regulation 32003R2257 on the organisation of a labour force sample survey in the Community to adapt the list of survey characteristics;
- Recommendation 32002H0178 concerning the employment policies pursuant to the Employment Strategy and
- Council Resolution 32003G1029 on transforming undeclared work into regular Employment.

With assistance of the CARDS Project in the area of employment two basic documents have been drafted which determine and define the overall employment policy in the country. The first document is the National Employment Strategy 2010 in which the national objectives and policies are outlined.

The second document is the National Action Plan for Employment 2006 – 2008, which defines planned activities, programmes and projects in the period mentioned. Both documents were prepared pursuant to the EU employment guidelines and are adopted by the Government of the Republic of Macedonia in December 2006. The dynamics of changes in regulative, especially in the Law on Employment and Insurance in Case of Unemployment will be determined after adopting these documents.

The training of employees in the Employment Agency of the Republic of Macedonia and MLSP has started in the beginning of 2006 and will end in the first quarter of 2007. It directed toward the drafting and implementing the National Action Plan for Employment, analysis of needs of skills, training for monitoring and implementation of NAPE 2006 – 2008, training of trainers. It encompasses all the local employment centres, the Employment Agency and the Ministry of Labour and Social Policy.

In relation to the already ongoing preparations for the *European Social Fund* more intense actions are taken to strengthen the capacity of the Decentralised Implementation System (DIS) of the assistance provided by the EU.

The coordination of the activities related to the realisation of the fourth component of IPA on the human resources development (as a predecessor to ESF) shall fall under the competence of the Ministry of Labour and Social Policy with active participation of the Ministry of Education and Science, the Ministry of Economy, the Employment Agency of the Republic of Macedonia and other relevant institutions and partners on national and regional level that will be involved in the process of preparation and implementation of the programmes. Due to that MLPS has taken a step toward strengthening the institutional capacities of the Sector for International Cooperation through forming a Unit for Assistance Coordination provided through EU instruments (two working posts, according to the Systematisation of Working Posts from November 2006), preparation of training for employees, management, conducting, monitoring and control of implementation of the programmes in compliance with EU regulations.

## **SOCIAL INCLUSION**

Following the experiences which arise from the Open Method of Coordination among EU Member States, it may be stressed that the Republic of Macedonia has partially aligned with the general guidelines, recommendations and shared objectives in the domain of social inclusion. Reduction of the risk of social exclusion is carried through: a) Providing social rights and social services for basic social risks defined by the Law on Social Protection (Official Gazette of the Republic of Macedonia No. 50/97, 16/00, 17/03, 65/04, 62/05 и 111/05), health risks, aging, maternity and family, unemployment, professional maladjustment and maladjustment in the social environment; b) additional measures in tax policy, employment, education, housing, domestic policy



and health; as well as c) realisation of plural social protection and implementation of the principles of decentralisation and de-institutionalisation.

A Unit for Protection and Sheltering of Socially Excluded Persons has been established in the Sector for Social Protection within the Ministry of Labour and Social Policy, where programmes for social inclusion of: street children, victims of domestic violence, drug abusers and members of their families, homeless persons and other vulnerable groups, are being created and realised. The introduction of the Register of Associations of Citizens in the Area of Social Protection enables involvement of relevant NGOs in the programmes for tackling the social exclusion. As regards the partnership of NGOs and private institutions, the MLSP established a Unit for Public and Private Institutions, through which the collaboration with two NGOs: the National SOS line for victims of domestic violence and the National SOS line helping drug abusers was realised in 2006.

The reduction of risks of social exclusion is realised through establishing non-institutional forms of social care and protection of vulnerable groups which also lowers the risk of institutionalisation. The following facilities are opened: (17) Day-care centres for children with intellectual disabilities, (2) Day-care centres for drug abusers, (6) Centres for victims of domestic violence, (1) Day-care centre for street children and (1) Reception centres for sheltering homeless persons.

## **SOCIAL PROTECTION**

The Macedonian legislation follows and implements the general objectives and recommendations of the European Union concerning the social protection. The Law on Social Protection (Official Gazette of the Republic of Macedonia No. 50/97, 16/00, 17/03, 65/04, 62/05 and 111/05) has introduced the opportunities for decentralisation, deinstitutionalisation and pluralism of the system for social protection.

The process of decentralisation, according to the Law on Local Self-Government, the Law on Social Protection and the Law on Protection of Children, is implemented in a way that the public institutions for elderly people - homes for the aged and public institutions for children – kindergarteners are transferred on a local level, and municipalities, i.e. the city of Skopje are given the possibility to participate as providers of certain services from social protection through their own development programmes for the specific needs of the citizens, adopted and financed by the bodies of the relevant municipality.

In the area of social protection, a new right for financial aid is introduced for a person who by the age of 18 has had a status of a child without parents and parental care, until the age of 26. In addition, inspection surveillance is introduced on the implementation of the laws and other legal acts in the social protection area addressed to the social protection institutions and other legal entities and natural persons performing any social protection activities in order to achieve more efficient realisation of the citizens' rights. The MLSP has adopted a Rulebook on Internal Organisation and a Rulebook on Systematisation of Working Posts, which constitute the basis for the establishment of the Sector for Inspection Surveillance over Social Protection.

A general list of specific needs of persons with developmental challenges has been prepared. A Rulebook on Norms and Standards for Founding and Commencing Work of a Day-care Centre for Persons with Disabilities has been adopted.

A significant reform in the social insurance was performed through the reform of the pension system of the Republic of Macedonia. The Pension System of the Republic of Macedonia is regulated with the Law on Pension and Disability Insurance (Official Gazette of the Republic of Macedonia No. 80/93, 3/94, 14/95, 32/96, 24/00, 96/00, 5/01, 50/01, 85/03, 40/04, 4/05, 101/05 and 70/06), the Law on Mandatory Fully Funded Pension Insurance (Official Gazette of the Republic of Macedonia No. 29/02, 85/03, 40/4 and 113/05) and a number of bylaws. The implemented reform, whose actual realisation commenced in January 2006 with the mandatory membership of all insured persons employed after 1 January 2003 in one of the two private pension funds, ensured alignment of the pension system with the demographic challenges and its sustainability and adjustment to the economic and social changes in the society.

## **ANTIDISCRIMINATION AND EQUAL OPPORTUNITIES**

The equal treatment of the persons regardless of the racial or ethnical origin, the equal treatment in employment and recruitment and protection of the rights and dignity of the persons with disabilities are contained in a number of legal provisions in the Republic of Macedonia (the Constitution of the Republic of Macedonia, the Labour Relations Law, Law on Health Insurance, Law on Primary Education, Law on Secondary Education, Law on Higher Education and the National Programme for Development of Education in the Republic of Macedonia 2005-2015). The aforementioned laws regulate the equal treatment of all persons in the area of employment, health insurance and education pursuant to Directive 32000L0043.

The Labour Relations Law (Official Gazette of the Republic of Macedonia No. 62/05) regulates the equal treatment in employment and recruitment, i.e. it poses prohibition on any type of discrimination (direct and indirect) in employment, which complies with the Directive 32000L0078.

The Law on Employment of Disabled Persons of the Republic of Macedonia regulates the area of promotion and protection of the rights and dignity of the persons with disabilities, which complies with the EC Communication to the Council and the European Parliament on a UN legally binding instrument to promote and protect the rights and dignity of the persons with disabilities (COM (2003) 16 final).

In the course of 2005, the National Working Group prepared the Operative Plans for implementation of the objectives envisaged in the National Action Plans from the four priority areas of the initiative "Decade of Roma Inclusion" for the period 2006-2008, which were adopted by the Government of the Republic of Macedonia on 18 November 2005 with commitment to their implementation.

Having regard to the area of *equal opportunities for women and men* the Labour Relations Law regulates the conditions for use of parental leave pursuant to the Directive 31996L0034, as well as the burden of proof in cases of discrimination based on sex pursuant to the Directive 31997L0080.

The legal framework of this field is amended by passing the Law on Equal Opportunities for Women and Men (Official Gazette of the Republic of Macedonia No. 66/06). This Law regulates the basic and specific measures needed to create equal opportunities for women and men, the competence, tasks and obligations of subjects responsible for providing equal opportunities, the procedures determining unequal treatment of men and women, the rights and obligations of the representatives for equal opportunities for male and female as assigned persons for conducting the procedure for determining unequal treatment of men and women, as well as the rights and responsibilities of subjects who participate in that procedure. The objective of this Law is to promote the principles for providing equal opportunities for men and women in the field of politics, economy, education as well as other areas of social life.

A Commission for Equal Opportunities for Women and Men has been formed within the Assembly of the Republic of Macedonia which is also in charge of incorporating the gender concept in the legislation.

In the local self-government units in accordance with Article 16 of the Law on Equal Opportunities for Women and Men a process is commenced to harmonise the Statutes of the local self-government units and the implementation of the obligation set by the law to form a Commission for Equal Opportunities within the Councils of local self-government units. Altogether, 38 Commissions for equal opportunities for men and women are formed within the Councils of local self-governments which will be in charge of appropriate implementation of the Law on local level.

By screening the existing acts (the Constitution of the Republic of Macedonia Article 9, Law on Ombudsman Article 29, Law on Equal Opportunities for Women and Men Article 15) and consulting a conclusion has been reached that the existing legal framework grants enough permissions to the Ombudsman to act based on gender or other types of discrimination.

Three trainings (in Bitola, Tetovo and Strumica) have been conducted for representatives of the local self – governments (administration and representatives of the Council of the local self-government) in gender mainstreaming and the obligations of the local self-government emanating from the Law on Equal Opportunities for Women and Men.

The Amendments to the Law on Pension and Disability Insurance (Official Gazette of the Republic of Macedonia No 101/05) in addition to the systematic solution, provides the opportunity for acquiring the right to pension based on length of service (35 years for women and 40 years for men). This transitional provision will be valid until September 2007, and upon the expiration of this time limit, solely the systemic solution laid down in the Amendments to the Law on Pension and Disability Insurance (Official Gazette of the Republic of Macedonia No 24/00), (62 years of age for women and 64 years of age for men) will be valid. The Law does not make a difference between the civil servants and other employees in the exercising of the right to pension.

### **3.19.2 SHORT-TERM PRIORITIES**

#### **LABOUR LAW**

- Harmonisation of the national legislation with the EU directives according to the performed harmonisation analysis starting from June 2007 and in the following 18 months, there will be implemented Twinning project in order to harmonise the laws in the field of labour law (especially the Labour Relations Law);
- Adoption of new Law for peaceful resolution of labour disputes

Establishment of specialised units for labour disputes within courts where such units do not exist.

#### **HEALTH AND SAFETY AT WORK**

- In the first quarter of 2007, the new Law on Occupational Safety and Health will be adopted and harmonised with the Framework Directive 31989L0391.
- Adoption of the following bylaws:

- Rulebook on Personal Protective Equipment Used by Workers at the Workplace, which shall comply with Directive 31989L0656;
- Rulebook on the Minimum Safety and Health Requirements for the Use of Work Equipment by Workers at Work, which shall comply with Directive 31989L0655.
- Rulebook on Signs for Protection at Work, which shall comply with Directive 31992L0058;
- Rulebook on Health and Safety from the Risks from Manual Loading and Unloading, which shall comply with Directive 31990L0269;
- Rulebook on Health and Safety of Workers from the Risks related to Exposure to Noise at Work, which shall comply with Directive 31986L0188;
- Rulebook on Health and Safety of workers from the Risks related to Exposure to Vibrations at Work, which shall comply with Directive 32002L0044;
- Rulebook on Health and Safety at Temporary or Mobile Construction Sites, which shall comply with Directive 31992L0057;
- Adoption of Action Plan providing the implementation of the National Strategy on Health, Healthy Living and Working Environment and Safety at Work.
- Strengthening the capacities of the State Labour Inspectorate with new jobs, trainings and improving the working conditions (vehicles, computers, mobile telephones, video cameras, and auxiliary devices).

## **SOCIAL DIALOGUE**

- Implementation of the Labour Relations Law concerning collective negotiations through harmonisation of the General Collective Agreement for the Public Sector and the branch collective agreements; creating conditions for improving the work of the Economic and Social Council through adoption of a new Agreement Establishing the Economic and Social Council and the Rules of Procedure of the Economic and Social Council;
- Organisation of trainings, seminars and workshops for implementation of acquis for the purposes of capacity strengthening of the persons involved in the social dialogue, with participation of foreign experts, informative materials etc., as well as application of experiences and mechanisms of the EU Member States.

## **EMPLOYMENT POLICY AND EUROPEAN SOCIAL FUND**

The implementation of the adopted active employment policy (The National Employment Strategy 2010 and the National Action Plan for Employment 2006- 2008) and providing continuity in monitoring the employment policy remain our main and fundamental priorities. For that purpose the following has been envisaged:

- During 2007, there will be organised capacity strengthening trainings for the employees in the newly formed unit within MLSP in order to efficiently start the implementation of the programmes and projects, which will be (co)funded by the Budget of the Republic of Macedonia and the EU funds;
- Furthermore, as compulsory documents for implementation of these programmes, during 2007, there will be drafted the Joint Inclusion Memorandum (JIM) and the Joint Assessment Paper (JAP);

Monitoring the implementation of the National Employment Strategy 2010 with incorporated EU guidelines and employment policies;

- Monitoring and evaluation of the National Action Plan for Employment 2006-2008, i.e. drafting annual progress reports concerning the programmes and activities stated in the document;
- Procurement of additional IT equipment for the Employment Agency of the Republic of Macedonia and proper training in using the equipment. The equipment will be procured according to the assessment on the equipment requirements which has been carried out within the CARDS II Employment Policy Project.
- According to the priorities laid down in the Multiannual Indicative Planning Document, there will be drawn up a Draft Operational Programme as well as Strategic Coherent Framework which will refer to the development of human resources in the country.

## **SOCIAL INCLUSION**

- Preparation of the Republic of Macedonia for full participation in the Open Method of Coordination for social inclusion through joint deployment of the resources of the Republic of Macedonia and the EC;
- Taking measures to improve the social inclusion of young people, according to the Council Decision and representatives of the member-state Governments of 14 December 2000;
- Reduction of family violence by laying down priorities, measures and activities for their implementation and main drivers in the policy against domestic violence – Adopting National Strategy against Domestic Violence, capacity strengthening at local level for dealing with victims of domestic violence;
- Exercising the rights of children to live and be provided with child care in a biological family or proper alternative care, by providing proper extra-institutional protection and reduction of the number of institutionalised children – Adopting a

National strategy on Deinstitutionalisation, capacity strengthening of Social Work Centres to adopt alternative forms of child care;

- Improvement of the conditions and exercising the right to self-supporting life for intellectually-challenged adults accommodated at the Special Institute Demir Kapija; Deinstitutionalisation, improvement of the condition and exercising the right to self-supporting life of intellectually-challenged adults accommodated at the SI Demir Kapija, by MLSP capacity and policy strengthening
- Developing non-institutional forms of social protection for socially excluded persons – children with disabilities, homeless children, drug abusers; Founding two small group centres to include small institutions in the social protection system, according to the National Strategy on Deinstitutionalisation.

## **SOCIAL PROTECTION**

- Harmonisation of the national legislation with the acquis in the field of social protection and reformation of the system to protect underprivileged groups of the population;
- Harmonisation of the national legislation on family to promote the system of protection of victims of domestic violence;
- Capacity strengthening of the Sector for Inspection Surveillance over Social Protection, in implementing the laws and other regulations in the area of social protection by the social protection institutions and other legal entities and individuals providing social protection, in order to exercise more efficiently and expediently the citizens' rights to social protection;
- Amendments to the Law on Pension and Disability Insurance in the part pertaining to the disability insurance for establishing legal basis in disability insurance in addition to the disability-based pension as an ultimate protective measure, according to the modern European tenants and principles, the preceding preventive measure in the pension system is to be realised solely through the right to professional rehabilitation based on the grounds of decreased working ability.

## **ANTIDISCRIMINATION AND EQUAL OPPORTUNITIES**

- Implementation of Roma Inclusion Decade;
- Promotion of the status of gender equality by:
  - Reforming the existing Unit for Promotion of Gender Equality (within MLSP) into a higher organisational structure, i.e. Sector for Equal Opportunities for Women and Men.
  - Amendment to the existing legislation in the area of education, by inserting the gender concept in the provisions referring to the contents of the syllabus;
  - Continuation of the harmonisation process of the Statutes of Local Self-Government Units with the provision from the Law on Equal Opportunities between Men and Women which refers to the obligation of the local self-government units to establish a Commission for Equal Opportunities for Women and Men within the Councils of the Local Self-Governments;
  - Continuous organisation of trainings for successful implementation of the Law on Equal Opportunities for Women and Men;
  - Adoption of a National Action Plan for Gender Equality by the Government of the Republic of Macedonia and its adoption by the Assembly of the Republic of Macedonia.

## **3.19.3 MEDIUM-TERM PRIORITIES**

### **LABOUR LAW**

Further harmonisation of the Labour Relations Law with the acquis and implementation of the directives covering the area of discrimination on the grounds of sex, provision of better living and working conditions, as well as intensive work for the purpose of opening new jobs, limitation of the freedom in negotiations for employment as well as transposing the EU measures 31996L0071 and 31980L0987

### **HEALTH AND SAFETY AT WORK**

- Rulebook on Health and Safety of Workers from Risks related to Exposure to Chemical agents, aligned with Directive 31998L0024;
- Rulebook on the Maximum Permitted Concentrations of Harmful Gases, Steam and Aerosol in the Working Premises and Premises where Workers Operate, aligned with Directives 31991L0322, 32000L0039, 31998L0024 and 32006L0015;
- Rulebook on Health and Safety of Workers from Risks related to Exposure to Biological Agents, aligned with Directive 32000L0054;
- Rulebook on Health and Safety of Workers from Risks related to Exposure to Physical Agents (electromagnetic field), aligned with Directives 32004L0040 and 32006L0025;

- Rulebook on Health and Safety of Workers from Risks related to Exposure to Asbestos at Work, aligned with Directives 31983L0477 and 32003L0018;
- Rulebook on Health and Safety of Workers Potentially at Risk from Explosive Atmospheres, aligned with Directive 31999L0092;
- Rulebook on Health and Safety of Workers from the Risks related to Exposure to Carcinogens or Mutagens at Work, aligned with Directive 32004L0037.
- Rulebook on the Minimum Requirements for Improving Safety and Health Protection of Workers in Surface and Underground Mineral-extracting Industries aligned with Directive 31992L0104.
- Rulebook on the Minimum Requirements for Improving Safety and Health of Workers in the Mineral-extracting Industries through Drilling aligned with Directive 31992L0091.
- Rulebook on the Minimum Safety and Health Requirements for Improved Medical Treatment on Board Vessels, aligned with Directive 31992L0029;
- Rulebook on the Minimum Safety and Health Requirements for Work on Board Fishing Vessels, aligned with Directive 31993L0103;
- Capacity strengthening of the State Labour Inspectorate and the Ministry of Labour and Social Policy with technical equipment and proper trainings and specialisations;
- Revision of the current strategic documents, i.e. new ones will be adopted in the area of safety and health at work.

## **SOCIAL DIALOGUE**

- Capacity strengthening of all social partners and their continuous involvement in adopting and implementing laws
- Involvement of the social partners in the elaboration, drafting and implementation of the legislation in the workgroups and in the Economic and Social Council;
- Continuous organisation of trainings, seminars and workshops for implementation of the acquis for the purposes of capacity strengthening of the persons involved in the social dialogue, with participation of foreign experts, informative materials etc., as well as application of experiences and mechanisms of the EU Member States.

## **EMPLOYMENT POLICY AND EUROPEAN SOCIAL FUND**

1. Monitoring and evaluation of the NAP for Employment 2006-2008, i.e. drafting annual progress reports concerning the programmes and activities stated in the document;
2. Drafting the NAP for Employment 2009-2010;
3. Preparation and implementation of the first IPA project within the human resource development component which will enable preparation of the relevant institutions for implementation and management with the ESF, especially by way of funding activities and measures that are subject to ESF funding. Within this component there will be supported the priorities, measures and activities of the social and employment policy, which are in accordance with the objectives of the European Strategy for Employment and the EU Integrated Guidelines for Employment;
4. Continuous capacity development for programming and managing within the competent institutions in direction of their complete preparedness for efficient utilisation of the ESF upon acquiring the status of EU Member State.
5. Upgrading and promoting the Decentralised Implementation System (DIS) of the EU assistance into an entirely independent system – an Extended Decentralised Implementation System (EDIS), also accredited by the European Commission.

## **SOCIAL INCLUSION**

- Preparation of the Republic of Macedonia for full participation in the Open Method of Coordination for social inclusion: Signing the Joint Inclusion Memorandum ; Adopting a NAP for dealing with poverty and social inclusion on the basis of the identified priorities during the JIM preparation; Monitoring and evaluation of the implementation of NAP for dealing with poverty and social exclusion;
- Reduction of the domestic violence through implementing laid down priority objectives, measures and activities for their implementation by the main drivers of the policy against domestic violence – Adopting a NAP against Domestic Violence 2008-2010, monitoring and evaluation of the measures and activities against domestic violence provided for by NAP;
- Exercising the rights of children to live and be provided with care in a biological family or proper alternative care, by providing proper non-institutional protection and reducing the number of institutionalised children through Adopting NAP for Deinstitutionalisation 2008 – 2010 for child care institutions and monitoring and evaluation of the measures and activities provided for by a NAP for Deinstitutionalisation;
- Improvement of the conditions and exercising the right to self-supporting life for intellectually-challenged adults accommodated at the Special Institute Demir Kapija, through adopting a NAP 2008 – 2010 for improving the condition and exercising the right of self-supporting life of intellectually-challenged adults, monitoring and evaluation of the measures and activities provided for by NAP for improving the condition and exercising the right of self-supporting life of intellectually-challenged adults;
- Promotion of care of vulnerable groups by developing non-institutional forms of social protection for socially excluded persons by expanding the network of non-institutional forms of social protection for socially excluded persons with new

forms in addition to the existing ones for other vulnerable groups through developing community services for senior citizens, psychically-challenged persons, intellectually-challenged adults and other vulnerable groups;

- Taking measures to make use of and improve the information society for purposes of social inclusion, according to the Council Decision of 8 October 2001 on "E-Inclusion".

## SOCIAL PROTECTION

- National Programme for Development of Social Protection (by the end of 2009), the first strategic document to contain measures and activities protecting certain groups of socially underprivileged persons, starting from the recommendations and resolutions by the Council of the European Union;
- Revision of the National Strategy on Equal Opportunities of Persons with Disabilities (Official Gazette of the Republic of Macedonia No.10/01), starting from the recommendations and resolutions of the European Council on promoting the employment and social integration of people with disabilities (32003G0724 (01)), on equal opportunities for people with disabilities within the framework of the European Action Plan (52003DC0650), and on the European Year of People with Disabilities (32001D0903);
- Rounding off the legal framework in the area of pension insurance by adopting the Law on Voluntary Fully Funded Pension Insurance and the Law on Payment of Pensions.

## ANTIDISCRIMINATION AND EQUAL OPPORTUNITIES

- Forming a body for equal treatment between persons irrespective of racial or ethnic origin etc. (or empowering the existing one), according to Directives 32000L0043 и 32000L0078;
- Preparation of screening and plan for further development of the anti-discriminatory system in the Republic of Macedonia;
- Implementation of the objectives of the NAPs from both documents, the "Strategy for the Roma in the Republic of Macedonia" and "Roma Inclusion Decade 2005-2015";
- Strengthening the institutional capacities for implementation of gender concept and continual supervision over the legal solutions;
- Continual incorporation of the concept of gender in the laws, bylaws and strategies, programmes, inner documents and rulebooks of the proper area.

## 3.19.4 FOREIGN ASSISTANCE

- Promotion of the system protecting victims of family violence, MLSP/Association for Emancipation, Solidarity and Equality of Women (AESEW) of the Republic of Macedonia;
- Improvement of care of groups in risk of social exclusion, MLSP/ APA – Association for Physiologic Aid – Zagreb, Croatia and SRKA - Centre for Psycho-social Action – Skopje.

## INSTITUTION BUILDING REQUIREMENTS

BUDGETARY BENEFICIARY/ INSTITUTION	INSTITUTION/ SECTOR	Current status 31.12.2006	2007	2008	2009	2010	Total
15001: Ministry of Labour and Social Policy	MLSP: International Cooperation Sector/ Unit for Management with Sectoral Programmes	3	1	1	1	0	3
	MLSP: Sector for Labour	3	2	1	1	1	5
	MLSP: Sector for Labour /Unit for Social Partnership	2	1	0	0	0	1
	MLSP: Sector for European Integration (Unit for IPA, Unit for NPAA, Unit for Monitoring)	3	2	1	1	0	4
	MLSP: State Labour Inspectorate/ Unit for Legal Affairs; Sector for Labour	91	3	2	2	1	8
	NEW: Sector for Equal Opportunities	3	1	1	0	0	2
	NEW: Sector for Supervision and Inspection of the Social Protection	13	2	2	1	1	6
15001: Ministry of Labour and Social Policy Total		118	12	8	6	3	29
<b>TOTAL</b>		<b>118</b>	<b>12</b>	<b>8</b>	<b>6</b>	<b>3</b>	<b>29</b>

## **3.20 ENTERPRISE AND INDUSTRIAL POLICY**

### **3.20.1 INDUSTRIAL STRATEGY**

#### **CURRENT SITUATION**

##### **STRATEGIC DOCUMENTS**

The industrial policy in the Republic of Macedonia includes several aspects that also form the policy of enhancement of the competitiveness of the Macedonian economy. These aspects are:

- completion (rounding up) of the privatisation process;
- continuation and intensifying of structural reforms, and thus setting up a new structure of the industrial production;
- improvement of the business environment;
- increase in the investments (domestic and foreign), especially the investments in information science, technology and knowledge;
- raising the workforce quality; and
- promotion of small and medium-sized enterprises and promotion of entrepreneurship.

From the viewpoint of its definition in the national strategic documents, the industrial policy of Macedonia is included in the National Strategy for Integration of the Republic of Macedonia into the EU, as well as in other framework documents, strategies or annual programmes for the current economic policy.

The industrial policy of Macedonia has mainly a horizontal dimension while the vertical approach is confirmed through the support provided to the industrial clustering. In this respect, five clusters have been set up on: lamb and cheese, tourism, information technology, wine and textiles. At the initiative of the Ministry of Economy and NECC, activities have been launched regarding the establishment of two new clusters, as follows: timber industry and food processing.

The National Entrepreneurship and Competitiveness Council is a tripartite body, including the private, public and civil sectors. At the end of every year, the Council prepares National Reports on Competitiveness which contain clear guidelines for the improvement of the competitiveness of the Macedonian economy and which are result of the partnership relations between the Government and the private and civil sector. The National Report on Competitiveness of the Republic of Macedonia for 2006 was promoted in December.

For the purpose of restructuring the enterprises in the steel industry as well as enhancing their competitiveness, a special "National Restructuring and Conversion Programme for the Steel Industry in the Republic of Macedonia" was adopted, as an obligation under Protocol 2 of the Stabilisation and Association Agreement.

#### **INSTITUTIONS**

The Ministry of Economy is a body responsible for defining the policy in the field of industry. Within the Ministry of Economy, the Sector for Industry is responsible for creation of the industry-related policy, which currently employs a staff of 20, distributed in: the Unit for Industrial Production and Technological Development Monitoring, the Unit for Structural Adjustments, the Unit for Privatisation, the Unit for Industrial Policy and Proposal of Measures, and the Unit for Steel.

The building and implementation of the separate sectoral strategies and policy parts fall within the competences of appropriate sectors in the Ministry of Economy (Sector for Tourism and Catering Industry, Sector for Investment Promotion, Sector for Promotion of Entrepreneurship and Competitiveness), as well as separate bodies within the Ministry and /or specially established agencies (Agency for Foreign Investments– Makinvest, Agency for Promotion of Entrepreneurship and the Directorate for Technological Industrial Development Zones).

#### **SHORT-TERM PRIORITIES**

Priority tasks to be realised in the course 2007 will be the following:

1. Improvement of the competitiveness of the Macedonian industry through providing support to the sectors in their restructuring and setting up on competitive bases. This will primarily be accomplished by means of the following activities:
  - preparation of a Study on Indicators of the Macedonian Industry's Competitiveness, as the basis for designing the Industrial Policy Strategy, which should be developed by the end of 2008;
  - preparation of a Textile Industry Development Strategy of the Republic of Macedonia, the purpose of which is to provide an overview of the situation, as well as guidelines for textile sector restructuring;
  - further implementation of the "National Restructuring and Conversion Programme for the Steel Industry in the Republic of Macedonia";
2. Development and promotion of tourism as a separate branch with great potentials, which will contribute to an increased number of tourists.

- preparation of a Tourism Development Strategy to define and elaborate the tourism development possibilities in the Republic of Macedonia;
3. Attracting FDI in certain sectors, by analyzing the sectors' capacities to attract FDI and their promotion to the targeted groups of companies.
- Preparation and implementation of studies on sectors and sub-sectors offering FDI potentials, in the following areas: information technology, automobile industry, food processing and medical equipment (this activity is also included in the CARDS Project "Technical Assistance to the ME for Improvement of the Investment Climate in the Republic of Macedonia").
4. Strengthening of ME's administrative capacities by organising training courses, supplying technical equipment and providing new employments. Also, staff reinforcements have been planned for the Agency for Foreign Investments, Agency for Promotion of Entrepreneurship and the Directorate for Technological Industrial Development Zones.

### **MEDIUM-TERM PRIORITIES**

The following have been identified as priorities for the period 2008-2010:

- based on the Study on Indicators of Competitiveness, a unique comprehensive document – Industrial Policy Strategy will be developed in 2008, with an aim of enhancing the competitiveness of the Macedonian economy;
- implementation of the Industrial Policy Strategy
- implementation of the Textile Industry Development Strategy in the Republic of Macedonia;
- further implementation of the "National Restructuring and Conversion Programme for the Steel Industry in the Republic of Macedonia";
- implementation of the Tourism Strategy;
- design and implementation of individual sector and sub-sector studies on restructuring and development, which will emerge as priorities following the preparation of the study on indicators for measuring competitiveness;

### **FOREIGN ASSISTANCE**

As part of the BERIS (Business Environment Reform and Institutional Strengthening) Project agreed with the World Bank, funds have been foreseen for the development of a Study on Indicators of the Macedonian Industry's Competitiveness, preparation of the Industrial Policy Strategy, as well as funds for the implementation of the "National Restructuring and Conversion Programme for the Steel Industry in the Republic of Macedonia". Also, funds have been foreseen for expert assistance and training of the employees.

The Swiss Compensation Fund foresees funds for preparation of project tasks related to the Textile Industry Development Strategy in the Republic of Macedonia.

Sectoral strategies for attracting FDI are funded within the CARDS Project "Technical Assistance to the Ministry of Economy for Improvement of the Investment Climate in the Republic of Macedonia".

## **3.20.2 PRIVATISATION AND RESTRUCTURING**

### **CURRENT SITUATION**

The process of privatisation of non-privatised enterprises with social and state capital and the process of ownership transformation of the public enterprises, institutions and parts of the health care organisations in the public sector are taking place in accordance with several laws: Law on Transformation of Enterprises with Social Capital (Official Gazette of the Republic of Macedonia No. 38/93, 48/93, 21/98, 25/99, 39/99, 81/99, 49/00, 6/02, 31/03, 38/04, 35/06), Law on Privatisation of State Capital (Official Gazette of the Republic of Macedonia No. 37/96, 25/99, 81/99, 49/00, 06/02, 77/05), Law on Institutions (Official Gazette of the Republic of Macedonia No. 32/05, 120/05), Law on Transformation of the Public Enterprise "Macedonian Railways" (Official Gazette of the Republic of Macedonia No. 29/05), Law on Health Protection (Official Gazette of the Republic of Macedonia No. 84/05), Law on Culture (Official Gazette of the Republic of Macedonia No. 31/98, 49/03) and Law on Broadcasting Activity (Official Gazette of the Republic of Macedonia No. 100/05).

Following the abolishment of the Privatisation Agency of the Republic of Macedonia, the Ministry of Economy (Sector for Industry, Unit for Privatisation) and some other state institutions (Pension and Disability Insurance Fund, Public Enterprise for Management of Housing and Business Premises and the Ministry of Finance) will continue the privatisation process of the non-privatised enterprises with social and state capital, as well as the ownership transformation of the public companies, institutions and parts of the health care organisations in the public sector.

During 2006, the privatisation of three health spa treatment resorts, two cinemas, pharmacies, two enterprises with state capital was completed, while part (10.31%) of the state capital in JSC "Macedonian Telecommunications" was sold.

In 2006, the Electric Power Distribution Company was privatised as well. This privatisation also represents the biggest foreign investment in the Republic of Macedonia for 2006.



Furthermore, privatisation started in three of the total of 29 local radio stations, one of the PE “Macedonian Forests” isolated subsidiary companies with non-core activity, one of the PE “Macedonian Railways” isolated subsidiary companies with non-core activity, one cinema, as well as two enterprises with state capital.

### **SHORT-TERM PRIORITIES**

Plans for the coming short-term period include rounding up of the privatisation process, especially privatisation of non-privatised enterprises with social and state capital, sale of stocks and shares owned by the Republic of Macedonia in trade companies, and the process of ownership transformation of part of the public enterprises, institutions and parts of the health care organisations in the public sector. Since the deadline for privatisation of local radio stations has been prolonged by the end of May 2007, most of these enterprises will be privatised in that particular period. Also, in 2007, the remaining companies of PE “Macedonian Forests”, PE “Macedonian Railways” and the Macedonian Radio Television will be privatised, which have been isolated from the latter as non-core activities, while the state capital (34.813%) still existing at the JSC Macedonian Telecommunications will be sold (See Economic Criteria)

## **3.20.3 BUSINESS ENVIRONMENT**

### **CURRENT SITUATION**

The most important reform in 2006 concerning the improvement of the business environment in the Republic of Macedonia is the improvement of the procedures for market entry and exit. In this respect, the establishment of a one-stop-shop system is included which simplified and speeded up the company registration procedure, while reducing the price of the service provided.

On the other hand, the new Bankruptcy Law (Official Gazette of the Republic of Macedonia No. 34/06) provides legal regulation for fast and efficient management of bankruptcy proceedings. Serving this purpose are the enacted bylaws: Rulebook on the form and contents of the identification document of trustees, Rulebook on the form and contents of the license of authorised trustee and the license of the trustee company, Rulebook on the award and reimbursement of the actual costs of the trustee, the manner of establishing their amount and determining the amount of advance payment to cover the costs of preliminary procedure, Rulebook on the form and contents of the certificate, manner of taking the authorised trustee examination and the programme for organising the training course for trustees, Rulebook on professional standards related to the bankruptcy proceedings and Code of Ethics for trustees (all of them published in the Official Gazette of the Republic of Macedonia No. 119/06).

In the upcoming period a training course will be organised for trustees and bankruptcy judges.

The investments and investing in the Republic of Macedonia are not regulated by a special law, but the subject matter is incorporated in approximately 70 laws and bylaws, above all in the Company Law (Official Gazette of the Republic of Macedonia No. 28/04, 84/05).

In 2003, the Programme for Stimulating Investments in the Republic of Macedonia was developed for the period 2003-2006, with an Action Plan of measures and activities as its constituent part, in order to eliminate administrative barriers to investments and attracting foreign investments in the Republic of Macedonia. During the Programme implementation, an assessment was carried out of the need for precise definition of certain measures, accurate identification of key institutions and redefinition of some barriers identified within the Programme. The Programme implementation was rounded up with the end of 2006, while underway is the preparation of a new programme document for the period 2007-2010.

In order to improve the business environment in the Republic of Macedonia, a special activity was launched by the end of 2006 regarding the regulatory impact on the business environment. This activity was named “Regulatory Guillotine” (or “Guillotine for Regulations”). In November 2006, the Government of the Republic of Macedonia issued the Decision on Introduction of a Guillotine for Regulations (Official Gazette of the Republic of Macedonia No. 129/06), which was the outset of the regulatory reform as a new institutional mechanism for reexamination of the solutions for regulations in terms of their relevance and justification, their simplification, preparing proposals for amending or termination of the validity of non-essential regulations. This will take place by means of simplifying the system of formalities (certificates, applications, decisions, approvals, authorisations, consents, acknowledgements, permits, requests, statements and other forms and sheets) which burden the work of the citizens and economic entities.

### **INSTITUTIONS**

A number of ministries have competences in the creation and improvement of the business climate in the Republic of Macedonia. In this respect, leaders in these activities are the Ministry of Economy, competent for the economic part (creation of industrial and investment policies by proposing measures for improvement of investment requirements), as well as, the Cabinet of the Deputy Prime Minister responsible for economic issues. The Sector for Economic System, Current and Development Policies was established as part of the Government’s General Secretariat, and it represents the institutional support by means of strengthening the Government’s administrative capacity. This body acts as a coordinative body for creation and coordination of economic reforms, development of methodology for assessment of the regulations’ impact and strengthening of the communication with the private sector, especially the business sector.

In January 2005, the Agency for Foreign Investments of the Republic of Macedonia –MAKINVEST commenced its operations and it has a key role in attracting FDI. The Agency is a state institution, established for the purpose of providing services and information to investors and promoting the Republic of Macedonia's investment potentials.

In 2006, two Ministers without Portfolio were appointed to deal exclusively with foreign investments. In the upcoming period they will play an active role in the process of establishing contacts and attracting foreign investors.

The Directorate for Technological Industrial Development Zones appears as the institutional support to the technological industrial development zones and its goal is to develop and promote these zones by identifying foreign investors as zone founders.

### **SHORT-TERM PRIORITIES**

The business environment improvement will cover the following aspects: (a) systemic improvement of the quality of the regulation affecting business activities, as well as building an institutional framework required for the regulatory reform development and implementation; (b) strengthening of national institutions' capacities (Metrology Bureau, Standardisation Institute, Accreditation Institute) in terms of providing services at European quality level; (c) strengthening of the state capacities for creation and implementation of the competitiveness enhancement policy, in compliance with the EU practice; (d) introduction of a credit information registry, which will provide information to loan givers in compliance with the EU legal regulations pertaining to the privacy protection of such information and enable establishment of a database at the Central Registry.

A priority of special importance for the Government during 2007 will be the implementation of the *Regulatory Guillotine Project*, which, according to the plans, is to be fully completed by the end of September 2007. Upon the completion of the regulatory reform and refining the regulations from the point of view of their relevance, a Unique Electronic Record of Regulations will be established, to be available to the public on a special website [www.regulatornareforma.com](http://www.regulatornareforma.com).

The projections for the 2007 are for the Government to enact a new *Programme for Stimulating Investments for the Period 2007-2010*. The Programme will include recommendations and guidelines for removal of the remaining barriers which restrict and hinder investments in the Republic of Macedonia.

Especially important in stimulating FDI is the *promotion of investment possibilities in Macedonia* that the Government has already launched, in cooperation with the chambers of commerce and the business community in general. The activities mentioned will continue in the upcoming period as well.

For the purpose of improving the Macedonian products' and services' competitiveness of the foreign markets, a *Programme* is being developed at the Ministry of Economy, with the aim of supporting and promoting Macedonian products and services abroad, increasing the number of companies who own international quality certificates, raising the level of internet utilisation among business entities, increasing the number of business partners etc.

In the context of business environment improvement, implementation of judicial reforms should be noted as one of the most important priority areas. This portion of the overall future reforms is covered in more detail in other parts of this document; however it should also be mentioned in the context of business environment improvement. There are especially great expectations in relation to the improvements in ownership and ownership relations protection, as well as the protection of contractual and debtor-creditor rights and obligations, which remain one of the weaknesses of the present business environment in the Republic of Macedonia. Finally, mentioned in this respect as priorities should be future reforms in the field of corporate governance improvement, to be implemented through the advancement of auditing and management accountability systems, protection of shareholders rights (especially those of minority shareholders), etc.

Also planned for the upcoming period is the administrative capacity strengthening of the Agency for Foreign Investments, which will allow increased efficiency of its operation.

### **MEDIUM-TERM PRIORITIES**

It has been planned to continuously implement the *Programme for Stimulating Investments in the Republic of Macedonia for the period 2007-2010*. Also, the newly identified recommendations and guidelines aimed at improving the conditions for business environment and increasing the production levels, competitiveness and attractiveness of the country for investors will be followed.

### **FOREIGN ASSISTANCE**

Several projects, funded by various donors, were launched in 2006, the basic goal of which was to support the process of creation of a favourable business climate, appealing and attractive to foreign investors.

Most comprehensive in this respect is BERIS - Business Environment Reform and Institutional Strengthening Project. This Project is funded by a World Bank credit amounting to EUR 8,851 million and budget funds of EUR 2,487 million. It was launched in 2006 and will last until 2010.

In February 2006 the implementation of the CARDS Project "Technical Assistance to the ME for Improvement of the Investment Climate in the Republic of Macedonia" started, the total value of which is EUR 1.2 million. The goal of this project is to support the

economic development and Macedonia's efforts in building a sound business environment, by improving the overall investment climate. At the same time, incentives and support will be provided for a proactive promotion of Macedonia as a place for investments. The project will assist with the implementation of the Programme for Stimulating Investments in the Republic of Macedonia and provide capacity strengthening at the Ministry of Economy –Sector for Investment Promotion , as well as. at the Agency for Foreign Investments of the Republic of Macedonia – MakInvest.

### **3.20.4 SME POLICY**

#### **CURRENT SITUATION**

The following are the key legal acts regulating the operation of the small and medium-sized enterprises: the Law on Establishment an Agency for Promotion of Entrepreneurship in the Republic of Macedonia (Official Gazette of the Republic of Macedonia No. 60/2003), Law on Craftsmanship (Official Gazette of the Republic of Macedonia No. 62/04) and Company Law (Official Gazette of the Republic of Macedonia No. 28/04, 84/05). In addition to the above mentioned laws, about 60 other laws have been identified, parts of which also deal with the small and medium-sized enterprises (SME) in the Republic of Macedonia.

Basic strategic documents that define the priorities in the SME sector are the European Charter on Small Enterprises, as well as the National Strategy for Small and Medium-Sized Enterprises. The mentioned documents provide a very clear direction about the small and medium-sized enterprises development. Emerging from them are the one-year action programmes which specify the measures and activities for providing support to entrepreneurship, competitiveness and innovation.

#### **INSTITUTIONS**

The institutional infrastructure in the field of SME, along with the Sector for Promotion of Entrepreneurship and Competitiveness within the Ministry of Economy, also includes the following entities:

- Agency for Promotion of Entrepreneurship in the Republic of Macedonia,
- Eight regional foundations for SME development,
- Regional Agency for Assistance to Enterprises in Prilep,
- Roma Business Centre in Skopje,
- Four Centres for Transfer of Technology (3 in Skopje and 1 in Bitola)
- Euro-Info Correspondence Centre,
- Seven business incubators
- Centre for Encouraging the Development of Small and Medium-sized Enterprises, as part of the Chamber of Commerce of Macedonia, which provides services to enterprises;
- Start-up Centre and Cirko-Centre for Research, Development and Continuing Education, which are in the frame of the Faculty of Mechanical Engineering

Also, a number of (17) local economic development centres were opened and they are expected to play an important role in the development of entrepreneurial culture and spirit.

In the upcoming period, special attention will be paid to the strengthening of the network among the existing institutions, as well as to the qualitative and quantitative improvement of the services they provide.

With regard to the human resources, the professional upgrading of employees at the competent ministries and those at the Sector for Promotion of Entrepreneurship and Competitiveness within the Ministry of Economy was implemented in the past period, by way of attending appropriate seminars and training courses. Training courses in SME development for the employees of regional institutions were also organised in continuity.

#### **SHORT-TERM PRIORITIES**

In the context of meeting the priorities indicated in the European Charter on Small Enterprises, as well as the Programme for Development of SME Entrepreneurship, Competitiveness and Innovation (2007-2010), in the course of 2007, the Ministry of Economy will prepare an annual programme for SME support, which will include the following activities:

- Enlargement of the network of business centres in municipalities, whereby the small enterprises will be provided with an available common infrastructure and appropriate consulting in relation to the business start-up and running;
- Continuation of the Voucher System for Financing Consulting Services Programme;
- Capacity strengthening of the Human Resources Fund and its transformation into a Managerial Academy;
- Further enlargement of the network of consultants and establishment of a network of small consulting firms;
- Stimulating the opening of small craftsman's workshops of the family business type
- Further reduction of costs and shortening of the company registration and deregistration time.

#### **MEDIUM-TERM PRIORITIES**

The mid-term goals of the development of small and medium-sized enterprises are closely connected with the continuous implementation of the European Charter on Small Enterprises and the guidelines of the EU Lisbon Strategy (particularly in the part related to competitiveness, innovation and promotion of entrepreneurial culture, as a prerequisite for growth of the entire economy and in particular of the SME). The implementation of the Programme for Development of SME Entrepreneurship,

Competitiveness and Innovation (2007-2010) will continue in the period 2008 – 2010. The measures and activities specified in the new Programme should contribute to a more efficient working and improved competitiveness of the SME. Special attention will be paid to:

a) Strengthening of Institutional Infrastructure

Strengthening of the existing and creation of a new institutional infrastructure will continue as part of this priority, especially with regard to the establishment of business centres in the municipalities, as well as capacity strengthening of institutions that create new enterprises. The Human Resources Development Fund will be active in raising the level of training and standards among trainers, consultants and SME. A dialog between the private and public sector will be developed through the National Entrepreneurship and Competitiveness Council and the SME Forum. Also, the capacity of the Small and Medium-sized Enterprises Observatory will be strengthened, in order for it to be used as a monitoring and evaluation tool.

The establishment of the Innovation Relay Centre will represent institutional infrastructure for cooperation between the educational system and SME regarding transfer of knowledge.

The establishment of a network of small consulting firms, involved in the development of plans, marketing strategies, assistance in contract concluding will be stimulated;

b) Education and training in Entrepreneurship

Introduction of entrepreneurial learning as part of the regular education at schools and universities, promotion of the life-long learning principle and permanent education of entrepreneurs, providing support to incubators for young entrepreneurs – graduate students or those close to graduation, focusing graduates to entrepreneurship and self-employment, transfer of knowledge from abroad, training for the unemployed and alike. Particularly important will be the improvement of the flow of knowledge between universities and the private sector.

Also specific manager training programs will be organised, and the the Voucher System for Financing Consulting Services for the SME will be strengthened and enlarged.

c) Business Environment Improvement

In order to create a favourable business environment for SME prosperity, the participation of the SME in the process of policy creation will be improved, by means of establishing a mechanism for assessment of the new regulations impact on the business, especially on the small and medium-sized enterprises.

Correction of the national definition of SME will also be made, as well as its harmonisation with the European definition. This will allow for comparative statistical data pertaining to the SME to be produced.

Especially important will be the strengthening of e-services, particularly the possibility of on-line registration, electronic trade, and efficient application of the e-signature related legislation;

d) Further Development of SME Support Mechanisms and Improvement of SME Access to Financial Services

Alternative financial instruments, such as leasing, factoring, franchising, funding from ownership capital, will be strengthened, as well as providing support to exporting SME. Also, improvements will be made on the Guarantee Fund's operational efficiency, in order to increase the number of guarantees issued to small and medium-sized enterprises.

Micro-funding programmes will be developed to include specific target groups that are engaged to a lesser degree (women, youth, students, farmers, single parents, disabled persons, persons with first employment, etc.).

e) Competitiveness and innovation Improvement

Activities will be focused on the development of support schemes for establishment of business incubators, clusters, technological/business parks, innovative projects and scientific and research work, as well as on the introduction of new technologies in the small business.

Encouraged will be the integration of related small enterprises into mini-associations for the purpose of accomplishing common goals, stimulation of horizontal and vertical linking of companies, support to artisan handwork, support to small craftsman's workshops of the family business type, application of quality standards, regional linking of clusters, etc.

## **FOREIGN ASSISTANCE**

The implementation of the *CARDS 2005 Project "Development of Small and Medium-Sized Enterprises"* is in the process of commencement. The Project includes the following components: support to the SME policy, measures of support for SME, and strengthening the public-private partnership (the amount of the project totals about EUR 2.4 million).

Another ongoing CARDS project is the *"Human Resources Development Fund at Enterprises – Stage II"*, the goal of which is creation of "learning enterprises", or more specifically: improvement of enterprises' management practices, trainers' quality by means of new knowledge, raising the awareness of the need for training in enterprises, establishment of a platform for networking among enterprises, exchange of experiences, etc. In January 2007, the implementation of the third stage of the Project *"Human Resources Development Fund at Enterprises"* started.

As of September 2006, the JICA technical assistance for the Agency for Promotion of Entrepreneurship in the Republic of Macedonia is underway. The technical assistance will include training for employees and development of a study of the possibilities for creation of new enterprises in the information technologies sector.

#### ADMINISTRATIVE CAPACITY

BUDGETARY BENEFICIARY/ INSTITUTION	INSTITUTION/ SECTOR	Current status 31.12.2006	2007	2008	2009	2010	Total
10001: Ministry of Economy	ASE: Agency for Support to the Entrepreneurship	8	1	1	1	1	4
	DITRZ: Directorate of Technological Industrial Development Zones	9	7	4	3	1	15
	ME: Sector for Entrepreneurship and Competitiveness	9	0	0	0	0	0
	ME: Sector for Industry/ Unit for Industrial Policy and Measures	2	1	0	0	0	1
	ME: Sector for Promotion of Investment Climate and Economy/ Unit for Investment Policy	6	0	0	0	0	0
	ME: Sector for Tourism and Catering	8	1	1	1	0	3
	ME: Sector for Industry/Other Units	18	2	1	1	1	5
	AFI: Agency for Foreign Investments (MAKINVEST)	6	12	2	1	0	15
10001: Ministry of Economy Total		66	24	9	7	3	43
<b>TOTAL</b>		<b>66</b>	<b>24</b>	<b>9</b>	<b>7</b>	<b>3</b>	<b>43</b>

## 3.21 TRANS-EUROPEAN NETWORKS

The basic strategic determination of the **Physical Plan of the Republic of Macedonia** is maintaining a fully and functionally integrated State territory and providing conditions for a notably higher level of infrastructural and economic integration with the neighboring and other European countries. The institution competent to implement the process of physical planning, regulated by the Law on Physical and Urban Planning ("Official Gazette of RM" no. 51/05) and the Law on Implementation of the Physical Plan of the Republic of Macedonia ("Official Gazette of RM" no. 39/04), is MEPP. A proper approach in the planning and construction of infrastructural facilities, which implies implementation of the Physical Plan of RM and environment protection, is provided by the Environment Law ("Official Gazette of RM" no. 53/05) and the Decree on Determining the Projects and Criteria as the Basis for Determining the Need for Implementation of an Assessment Procedure regarding the Impact on the Environment ("Official Gazette of RM" no. 74/05).

### 3.21.1 TRANS-EUROPEAN TRANSPORT NETWORKS

#### CURRENT SITUATION

##### LEGAL FRAMEWORK

The legal framework related to transport networks is part of the legal framework regulation the transportation policy. **See Chapter 3.14.1**

##### STRATEGIC DOCUMENTS

#### **Memorandum of Understanding on the main regional transport network of South-East Europe and Final Report of the High Level Group on Transport**

With the signing of the **Memorandum of Understanding on the main regional transport network of South-East Europe** in June 2004 in Luxembourg, the signatory countries confirmed their firm political will for development of the main transport network of South-east Europe and promotion of administrative and regulatory procedures to ensure its effective functioning. The Memorandum also stipulates close cooperation in the harmonisation of technical standards and practices, in order to bring the latter into conformity with the European practices.

In this context EC established the High Level Group on Transport of the EC, whose objective was to study, identify and recommend the highest priority trans-national transport axes for better connection of the EU with neighbouring countries. According to the High Level Group's **Final Report**, in which both Corridor 10 and Corridor 8 are recognised as transnational axes and multimodal routes, the following have been foreseen as priority projects to be implemented by 2010 in the Republic of Macedonia:

- Construction of the highway Kumanovo- Tabanovce (15 million Euro);
- Construction of the highway Demir-Kapija-Udovo-Smokvica (150 million Euro);
- Construction of the highway border crossing with Albania-Skopje-the border with Bulgaria (832 million Euro);
- Reconstruction of the railway connection Tabanovce- Gevgelija, phase 1 (50 million Euro);
- The railway connection Kumanovo-Beljakovce-border crossing with Bulgaria (200 million Euro);
- The railway connection Kicevo- Struga-border crossing with Albania (206 million Euro)

Projects to be implemented after 2010:

- Rehabilitation of railroad line Tabanovce-Gevgelija, phase 2 (100 million Euro)

Project of regional importance and national priority:

- Construction of a multimodal terminal, based in Struga (4.8 million Euro)

The calculated values of Corridor X sections are taken from the existing feasibility studies while, according to the High Level Group's recommendation, those related to the remaining sections should be reexamined.

#### **Multi-annual plan pertaining to the Southeast Europe Transport Observatory – SEETO (2007-2011)**

In the framework of the Memorandum of Understanding on the main regional transport network of SEE, the Management Committee and the South-East Europe Transport Observatory (SEETO) have been founded. SEETO has the role of a technical secretariat which assists the Management Committee in the accomplishment of the Memorandum of Understanding (MoU) goals. SEETO's importance in the coordination of the main regional transport network development and the Multi-annual Action Plan preparation was confirmed by the signing of the First and Second Annual Ministerial Meetings' Resolutions, held in Skopje, in November 2005 and Brussels, on December 1, 2006, respectively. The Republic of Macedonia has been taking active part in the Steering Committee's work through its representatives, and it has also appointed its own National Coordinator.

The main objective of SEETO's Multi-annual Action Plan is provision of accurate and updated inventory of conditions, functioning and performances of the main regional transport network, as defined in the Memorandum of Understanding. Besides facilitating

project planning, the Multi-annual Action Plan's goal is to promote the institutional "soft measures", necessary for effective investments in the network, as well as to introduce the regional component into the planning process at national level.

The Multi-annual Plan 2007-2011, which upgrades the previous plan (2006-2010), was finally adopted at the Second Ministerial Meeting in Brussels, on December 1, 2006. One of the most significant improvements to the SEETO plan 2007-2011 is the considerable progress made in data collection, which enhances the description of conditions and infrastructure, the identification of bottlenecks along the main corridors and the possibilities of assessing future development implications. Also, a list of priority investment projects and an indicative implementation program have been specified. The list of priorities of importance to the Republic of Macedonia includes the following:

- Demir Kapija – Udovo- Smokvica of Corridor 10,
- sections Gostivar-Bukojcani and Deve Bair-Kriva Palanka of Corridor 8
- reconstruction of the railroad line Tabanovce- Gevgelija (sections: Veles Zgropolci and Zgropolci-Demir Kapija) and
- upgrading the railway signaling and telecommunication system along Corridor 10.

### **Public Investments Program (2007-2009)**

The Programme for Public Investments is a strategic document of the Government of the Republic of Macedonia for a period of three years. The development policy of the Government of the Republic of Macedonia for investing in the public infrastructure of the country in the medium and long-term is based on a dynamic investment activity that is expected to result in optimisation of the use of the existing capacities, reconstruction and modernisation of the public infrastructure for the purpose of providing cost effectiveness and higher efficiency.

### **National Development Plan (2007-2009)**

The Ministry of Transport and Communications coordinates the preparation of investment priorities in the field of transport infrastructure by means of defining the priority projects in the field of road, railway and air transport infrastructure for the period of the coming 3 years (2007 -2009). See Chapter 3.22.5, for more details on NDP.

### **CONDITIONS OF ROAD AND RAILWAY TRANSPORT INFRASTRUCTURE ALONG CORRIDORS 10 AND 8**

The two Corridors 10 and 8 are strategic economic priorities for the Republic of Macedonia and they will contribute to a faster and safer communication and transport of passengers and goods, which will lead to economic safety and stability.

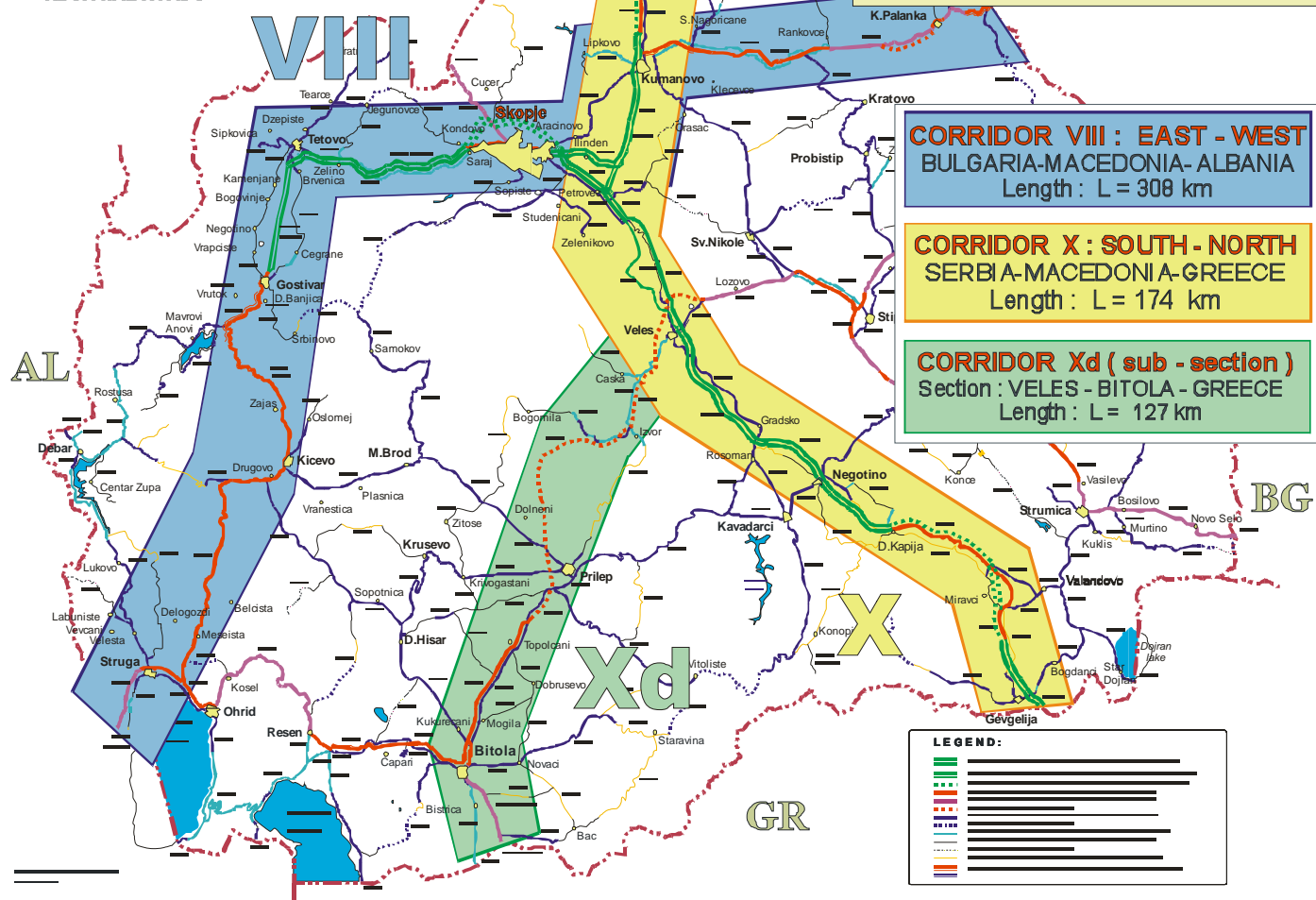
**Corridor 10** with total length of 172 km in the Republic of Macedonia, starts at the Tabanovce border-crossing point at the frontier with the Republic of Serbia and runs to the Bogorodica border-crossing point at the frontier with the Republic of Greece. Part of road corridor X is also the highway arm Veles-Medzitlija, which runs through and connects Veles, Prilep, Bitola to the Republic of Greece, with total length of 127.1 km.

The situation at the E-75 highway, tabanovce-Gevgelija is as follows: constructed at the level of highway are 132 km; remaining sections to be constructed are Demir kapija-Udovo-Smokvica and Kumanovo-Tabanovce.

The situation of the road infrastructure construction along **Corridor 8** is as follows: the total length that passes through the Republic of Macedonia is 304 km of which 84 km or 27.6 % are built on a level of a highway, and 8.7% at the highway level are under construction (the ring Skopje length of 26.5 km).

Remaining for construction are the following 14 sections:

1. Deve Bair – Kriva Palanka, 13.47 km
2. Kriva Palanka – Dlabocica, 10.34.km
3. Dlabocica – Stracina , 14.11 km
4. Stracin – Strezovce, 18.30.km
5. Strezovce-Romanovce , 16.6km
6. Gostivar – Gorna Gjonovica, 17.3 km
7. Gorna Gjonovica – Bukojcani, 12.69 km
8. Bukojcani – Kicevo, 12.0 km
9. Kievo – Podvis, 10.43 km
10. Podvis – Preseka, 11.82 km
11. Preseka – Pesocani, 11.5 km
12. Pesocani – Trebeniste, 12.7 km
13. Trebeniste – Ohrid, 10.26
- 13.a Podmolje – Struga, 7.5 km
14. Struga – Kĳafasan, 14.40km



The railway line in the direction North-South, **Corridor 10**, through the territory of the Republic of Macedonia is 215 km long and starts from the border crossing Tabanovce in the north and ends in the south with the border crossing Gevgelija, including the spur track 10d from the Corridor 10 that starts in Veles and ends at the border crossing Kremenica by Bitola. The railway connection, along the Corridor 10 provides for speed of 100 km/h, and at some points the speed is drastically limited. Regarding the 85% of the total transport is primarily performed on the Corridor 10, special priority is given to the increase of speed on certain sections to 130 km/h and with it, the improvement of the level of infrastructure, with an aim to achieve technical conditions on a level of the Corridor, supported by the initiative SEECP- South-East European Cooperation Partnership. In order to improve the effective flow of persons and goods along the main transport axes of Corridor 8 and Corridor 10, the procedures and the documentation on the border crossings needs to be simplified and harmonised.

The railway line in the direction of the East-West **Corridor 8**, through the territory of the Republic of Macedonia is 339 km long. At this moment the connection with the neighbouring countries R. Albania and R. Bulgaria is yet to be constructed. The construction of a railway connection from Kumanovo to the border with Bulgaria is supported only by means from the state budget.

The development of transport infrastructure in the Republic of Macedonia has achieved remarkable results in the past period, nevertheless the level of development which would meet the modern requirements of the society and economy with regard to transport of passengers and goods has not been reached yet.

The funding of road and railway infrastructure at the moment is realised through budget participation, foreign donations and co-funding. With recommendation by the EU, a funding through a system of investment through Public/Private Partnership (PPP) and concessions will start.

## INSTITUTIONAL FRAMEWORK

### Ministry of Transport and Communications

The Sector for International Investments and European Integration operates within the Ministry of Transport and Communications, and the former will, on the basis of the new draft systematisation of employment posts, become the Sector for EU and it will



include the following bodies: Unit for Negotiations and Integration, Unit for IPA Implementation, Coordination, Monitoring and Evaluation Unit, and Unit for Community Programs. At the moment the Sector employs a staff of 9. According to the new draft systematisation of employment posts, hiring of the total of 11 more persons is foreseen by 2010.

In accordance with the amendments to the act on the Systematisation of employment posts a new Railway Sector will be established within the Ministry of Transport and Communications, and a Unit for Railway Infrastructure will exist as part of the Sector. It has been foreseen that 3 persons shall be employed with the Sector in 2007. See Chapter 3.14.2.

### **Fund for National and Regional Roads**

The Fund for National and Regional Roads drafts and realises the Annual Programme for the ensuing year, regarding matters related to the planning, funding, construction, reconstruction, maintenance, and protection of the national and regional roads in the Republic of Macedonia. The Government of the Republic of Macedonia adopts the Programme. At the moment, The Fund is financed from: revenues of the central budget (excise on the oil derivatives), own (source) incomes, loans from International Financial Institutions, as well as irretrievable funds.

### **PE “Makedonijapat”**

The PE “Makedonijapat” is a public enterprise that, in accordance with the Law on Public Roads, is competent and responsible for the maintenance of the national and regional road network in the Republic of Macedonia. The Public Enterprise signs an annual contract with FNRR regarding its work and activities.

In accordance with the Study on Reconstruction of the Road Sector, certain activities and measures will take place for the institutional enforcement of the FNRR on the one hand, and the reconstruction of PE “Makedonijapat”, on the other (see item 5. Foreign Assistance)

### **PE “Macedonian Railways”**

In accordance with the Law on transformation of the PE Macedonian Railways UnLtd Skopje (Official Gazette of RM no. 29/05) this public enterprise is to undergo a process of transformation. See Chapter 3.14.2

In accordance with the Law on Railways (Official Gazette of the RM no.64/2005) the financing of the construction, reconstruction, modernisation, repair and the maintenance of the railway infrastructure is regulated with a dynamic and flexible National Programme for railway infrastructure that is adopted for the period of five years, based on which, the infrastructure manager in agreement with the Minister for Transport and Communications will prepare an Annual Plan.

### **PE for Airport Services – Macedonia**

PEAS Macedonia-Skopje is an enterprise founded by the Government of the Republic of Macedonia, which performs its operations in compliance with the Law on Public Enterprises, the Law on Aviation and other effective legal regulations.

Its financial operations are organised at the level of a PE, and the airports are not separate legal entities.

The public enterprise generates 70% of its income as a result of performing the basic activity (providing airport services), 25% is the income from commercial activities and 5% is the income related to the maintenance of the runway which is still owned by the state and managed by the Civil Aviation Administration. In the coming period, the PE for Airport Services should take over the runway management, based on the CAA reorganisation (division of CAA into Civil Aviation Agency and Service Provider- JSC in State Ownership for Air Traffic Control) which will enable income from landing and lighting. Underway is the process of the PE transformation into a joint stock company owned by the State, following which, the enterprise will operate in compliance with the Company Law provisions.

### **SHORT-TERM PRIORITIES**

- **Construction of Ring Road Skopje, I phase.** By the end of 2007 the project Construction of the Ring Road Skopje, I phase, section: Hippodrome to Shuto – Orizari, length 13. 5 km, will be carried out. The total value of the project is 120.6 million Euros, from which for the phase I – 50 million Euros are provided by the EAR. About 70% of the works at section one are completed.
- **Construction of section Tabanovce-Kumanovo, 8.4 km long.** Only 1.1 km before the border-crossing point Tabanovce was completed in 1994. This section needs rehabilitation. Pending is the construction of the remaining 7.3 km and complete investment and technical documents have been prepared for this section, which also is a priority. Negotiations with the World Bank regarding this section’s construction are at the final stage. The completion of this section at the highway level will provide safe and quality transport and improved traffic flow, as well as increased volume of trade and transport of passengers and goods.
- **Construction of section Demir Kapija-Udovo-Smokvica.** Main execution projects exist in relation to this section, including a feasibility study. The project documents were funded by the Phare cross-border cooperation program, while there preparation was a task of the French company Scetaroute.C.O. The highway level construction will take place in several stages. According to the Scetaroute.C.O study, the construction of this section will increase its capacity by 180%. The construction will enable savings with all passenger profiles of up to 35%, as follows: reduced fuel quantities; reduced journey duration and increased safety

The construction will have direct and indirect effects on the improvement of economy. A direct effect would be creation of jobs on the site; a temporary effect during the construction, but a significant contribution to the construction sector in the country. The indirect effects are related to the enhancement of the local, industrial zones around the new highway and improvement of the offer for tourist conditions, in the light of the reduced time and costs of traveling.

Funding of this project includes resources provided by the **Greek plan for economic reconstruction of the Balkans Greek (GPERB)**, IPA-Component 3 for regional development and loans. According to the Action Plan for Completion of Corridor 10 within GPERB, specific steps of the Macedonian and Greek party have been agreed upon in the implementation of the Project, and the construction works are planned to commence by the end of 2007

- **Continued participation at SEETO** – Following the adoption of the new five-year plan 2007-2011, continued participation will ensue at the work of the Management Committees, then regular submission of data from the National Coordinators to the SEETO Secretariat and payment of the annual national share to the SEETO budget. The implementation of the five-year plan 2007-2011 implies further harmonisation with the *acquis communautaire*, legal and regulatory reforms in all transport sub-sectors, special commitment to the implementation of the soft measures and active collaboration and coordination with the International Financial Institutions, the Transport Corridors Secretariat and other stakeholders.
- Election of a consulting team to propose a **procedure and awarding concession for part of the road infrastructure along Corridor 8 and arm 10d** in the Republic of Macedonia.
- **Designing a Study with Development Model for Skopje Airport and Ohrid Airport.** In October 2006 the Government of the Republic of Macedonia issued the Decision on Hiring a Consulting Team by means of an International Restricted Invitation for Designing a Study with Development Model for Skopje Airport and Ohrid Airport (*stage one: prequalification; and stage two: submission of bids for assessment of the technical and financial offer*). The assessment of completeness and validity of documents regarding the financial, economic and technical capacities of bidders is in progress.
- **CARDS 2006 – Technical Assistance to the Ministry of Transport and Communications** in the preparation of: National Transport Strategy, Investment Plan on Roads and Road Sector Reconstruction (more details in Part 5 – Foreign Assistance)

#### MEDIUM-TERM PRIORITIES (2008-2010)

- **Construction of Ring Road Skopje, II Phase.** The second phase of the project Construction of the Ring Road Skopje, section Shuto Orizari – Saraj, 11.8 km long, is planned to be finished in 2009. The second section progresses as scheduled, with 30%.
- **Implementation of projects identified by the High Level Group on Transport (see item 1.2)**
- **Construction of section Veles-Prilep.** The section is part of the European Corridor 10d and it is a link of special importance for the transport of the whole region to the central and Western Europe.
- Within the SEETO programming, the routes proposed to be included into the medium-term priorities are the following ones:
  - **Upgrading to the highway level of the section Bitola-Resen-Ohrid-Podmolje and**
  - **Construction of highway Otovica-Stip-Delcevo**
- Implementation of the **Agreement for Establishment of a High-performance Railroad Network in Southeast Europe, signed** in May 2006 in Thessalonica, as part of the SEECP process of cooperation in Southeast Europe. The Agreement stipulates improvement of the services quality, simplification and improved quality of procedures related to control of documents required for passengers and transportation of goods in international transport, identification and taking of measures and initiatives that will shorten the time necessary for the completion of border procedures, as well as improvement of railway infrastructure and border-crossing points infrastructure, which will allow for more efficient and unhindered flow of trains and passengers at the borders.
- Implementation of the **Protocol on cross-border cooperation among the countries along the Pan-European Corridor 10**, which was signed in June 2006 on Corfu and the main goal of which is facilitation of the flow of persons and goods along Corridor 10. The signatories are supposed to, within either short-term or mid-term period, complete the harmonisation of legislation and procedures pertaining to border-crossing points with the EU *acquis*, constantly exchange information among the relevant administrations and agencies, especially by using means of electronic communication, in order to achieve closer cooperation and increased efficiency. It has been recommended that contact points be designated who will be in charge of this task. Underway is the establishment of a task force. The first chair will be the Republic of Greece.

#### INSTITUTIONAL BUILDING REQUIREMENTS

During 2006, one person was employed at the Sector for International Investments and European Integrations within the Ministry of Transport and Communications. Employment of 11 more persons is projected until 2010.

BUDGETARY BENEFICIARY/ INSTITUTION	INSTITUTION/ SECTOR	Current status 31.12.2006	2007	2008	2009	2010	Total
13001: Ministry of Transport and Communications	MTC: Sector for European Union (former Sector for International Cooperation and European Integration)	9	2	3	3	3	11
13001: Ministry of Transport and Communications Total		9	2	3	3	3	11
<b>TOTAL</b>		<b>9</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>11</b>

## FOREIGN ASSISTANCE

**CARDS 2006 – Technical Assistance to MTC** for development of a National Transport Strategy, 200,000 EURO, Road Investment Plan, 200,000 EURO and road sector restructuring, amounting to 700,000 EURO.

### • Development of National Transport Strategy

The project goal is development of a long-term National Transport Strategy (2007-2011) whereby the basic development directions of the transport policy in RM will be determined, by identifying the road sector development goals and strategy. The main road sector development directions in RM will emerge from the following analyses to be conducted as part of the Strategy:

- Interconnection of regions in RM and connection to European transport lines;
- Transport system development analysis (Development trends, National Road Network Conditions, Road Maintenance, Road Safety, SWOT Analysis);
- Road network development plan;
- Possibilities for foreign direct investments, as well as support through international financial institutions' loans;
- Institutional measures;
- Introduction of road maintenance competition.

### • Development of Road Investment Plan

The project goal is development of an investment plan for roads, in order to improve the investment climate in the transport sector. Continuous cooperation with MTV and FNRR will be established within the project, for the purpose of defining the priorities with regard to the investment plan formulation. A short list of priority projects will be established, in accordance with SEETO's five-year plan, the Final Report of the High Level Group on Transport and JBIC Study on the development of Western Balkans Transport Network. Furthermore, a conceptual design of the projects will be developed, which will enable development of economic and environment protection analyses. The development of the investment plan started in September 2006 and its completion is expected to take place in April 2007.

### • Development of a study on restructuring of the road sector in RM

The project goal is development of a Study on restructuring the road sector in RM, in order to improve economic development in the country, by means of restructuring the road sector, institutional reforms in accordance with EU standards and improvement of the investment climate. The study will comprise an analysis of the solutions for enhancement of transport sector management efficiency, including institutional changes at FNRR and transformation of PE Makedonija pat. Specifically, the Project will cover the following activities: Analysis of the restructuring plan approved by the Government; Assistance to MTC in the restructuring plan implementation; Assistance to MTC in the drafting of the law on Public Roads; Assistance to MTC and FNRR in the introduction of competition; Assistance to MTC in the process of FNRR and PE Makedonijapat restructuring; Assistance to PE Makedonijapat in assuming new obligations. It is expected for the development of the road sector restructuring study to start in January 2007 and to finish in 2008.

## 3.21.2 TRANS-EUROPEAN ENERGY NETWORKS

### CURRENT SITUATION

### CRITERIA FOR ENERGY PRIORITIES

### REGIONAL STUDIES

In the framework of the programme SECI (Southeast European Cooperation Initiative) and the Stability Pact of Southeast Europe, there is an ongoing realisation of the Project for Regional Planning of the electro-energetic systems in Southeast Europe (Transmission System Planning – TSP), which began in 2001 with the technical support of USAID and USEA (United States Energy Association). The primary idea of the Project is the introduction of regional approach in the practice of planning the transmission networks and creating a common database for electric power systems in the region that would be regularly upgraded and used by the electro-energy companies from the countries of Southeast Europe.

SECI task force undertook the following tasks in accordance with the Athens Forum's requirements:

- Development of a **Study on transmission network regional planning methodology and criteria for ranking transmission lines projects in market conditions;**

- Upgrading of **SECI Study** with the implementation of the defined regional planning methodology and the criteria for ranking transmission lines projects in market conditions, on the basis of electric power supply/consumption scenarios contained in the Study on investments in production (GIS). Applied within the initial analyses will be the model for 2010 with additional projects. Later, SECI task force will define the details of model 2015. The Study should be developed by spring 2007.

### **Treaty Establishing the Energy Community**

The electric power and natural gas market was transformed in accordance with the Treaty establishing the Energy Community, which the Republic of Macedonia signed, together with the other countries of Southeast Europe and the European Commission, on 25 October 2005. The Republic of Macedonia ratified this Agreement in May 2006 and it entered into force on July 1, 2006.

For achieving the Agreement goals, the activities of the signatory countries include, *inter alia*, the establishment of a single mechanism for cross-border transmission or transport of this type of energy and creating energy and natural gas markets with no internal boundaries for all signatory countries of the Treaty, including the coordination of the mutual assistance in a case of serious malfunction of the energy networks.

### **CURRENT SITUATION IN THE ENERGY INFRASTRUCTURE IN THE REPUBLIC OF MACEDONIA**

The legal and institutional frameworks pertaining to the energy network are elaborated in more detail in Chapter 3.15

### **ENERGY SECTOR'S ECONOMIC STRUCTURE**

#### **Electric Power System**

In accordance with the Law on Transformation of JSC Electric Power Company of Macedonia of 2004 and the Company Law, in the course of 2005 the disintegration of the vertically integrated economic structures of the electric power sector was completed. As of September 2005, the process resulted in the establishment of four new companies which today operate as independent legal entities:

1. **JSC METSO**, (Joint Stock Company for Transmission of Electric Power and Management of Electric Power System, in state Ownership), who performs the following activities: (1) transmission of electric energy and power; (2) management of electric power system of the Republic of Macedonia; (3) organisation and management of the electric power market; and (4) supply of electric power to tariff power consumers. According to the Energy Law "the Electric Power Transmission System of Macedonia Operator, JSC "METSO", established on January 1, 2005, in accordance with the licenses received from the Regulatory Committee for Energy, in December 2005, is responsible for long-term planning in relation to the transmission network as well.
2. **JSC EPGM**, which deals with electric power production for tariff consumers in the Republic of Macedonia; and
3. **JSC EPCM** which carries out the following activities: (1) electric power distribution, (2) electric power distribution system management, and (3) electric power supply to retail tariff consumers.
4. **JSC TEP Negotino** is a separately regulated thermo-power production company.

#### **Gas pipeline system**

In accordance with the Law on Energy, the **JSC GA-MA**, which is the legal successor of the public enterprise PE GA-MA transformed in August 2006, functions as the only system-operator which manages the transport system of natural gas in the Republic of Macedonia.

JSC GA-MA is also the license holder for transport of natural gas and management of the transport system of natural gas.

Aside from this PE which has the obligation to carry out the mentioned activities of public interest, the dominant role on the natural gas market belongs to JSC "Makpetrol" which is license holder for gas distribution.

### **ELECTRIC POWER TRANSMISSION INFRASTRUCTURE**

**a) Electro-transmission system** (the existing situation of the EPS of RM and the priority projects foreseen are illustrated on the map below)



The Macedonian electro-transmission system is interconnected to Greece, Bulgaria and Serbia. The Electro-power system in the Republic of Macedonia is the importer of electric power throughout the year. The electric power import in quantity equals to 15% to 20% of the total domestic production which corresponds to the production of the hydro-electric power plants.

The high-voltage transmission network works on four voltage levels: 110 kV, 150 kV (which will extinguish with upgrading to 400kV), 220 kV and 400 kV. The total length of the above overhead transmission lines is around 2000 km.

The backbone of the electricity transmission system is 400 kV voltage level. The ring consisting of three 400 kV overhead transmission lines connects the biggest consumer in the northern part of the country (Skopje) with the biggest production capacities in the southern part (Bitola and Negotino).

The major part of the electricity transmission network is 110 kV high-voltage network with overhead transmission lines with length of more than 1600 km. Its role is connecting the production capacities i.e. 400 kV network with the consumer area i.e. it provides electricity to the distribution network.

In the direction of the *Transport Corridor 10*, the electric power system (EPS) of the Republic of Macedonia is interconnected to 400 kV voltage level in the north with one interconnection line with EPS of Serbia (Kosovo) and in the south with one interconnection line with EPS of Greece.

On a 220 kV voltage level EPS of the Republic of Macedonia is linked in the north with two interconnection lines with EPS of Serbia (Kosovo), but this connection has not been operational since 1999 and up until now a reconstruction of the existing OHTLs has not been planned.

On 150 kV voltage level EPS of the Republic of Macedonia is connected in the south with one interconnection line with the EPS of Greece.

In the direction of the *Transport Corridor 8*, there are no interconnections according to the UCTE existing standards. On a 110 kV voltage level EPS of Macedonia is connected in the east with two overhead transmission lines with the EPS of Bulgaria.

## b) Gas pipeline system

The gas pipeline system of the Republic of Macedonia is built as part of the *Corridor 8*.

The capacity of the gas pipeline is 800 million m<sup>3</sup> annually. The length of the main gas pipeline is around 98 km, and it spreads from the border with Bulgaria to Skopje.

The distribution network already built is 26 km and a city network is 31.5 km long.

The development of the transport gas pipeline network in the Republic of Macedonia is coordinated by the priorities in (1) the construction of new gas thermo-energy facilities for production of electric and/or heating power and possible conversion of the fuel of the existing facilities; (2) direct supply of the potential consume (industry and households) and (3) connection of the neighbouring gas pipelines for widening, upgrading and development of a transport gas pipeline network in the region and beyond.

### c) Oil pipeline Thessalonica – Skopje

The oil pipeline connecting the refinery OKTA with the Thessalonica Port is 212.6 km long and it is used for transport of raw oil and supply of the refinery. The oil pipeline was built in 2002 and it is in the direction of the *Corridor 10*. The capacity of the oil pipeline is 360 m<sup>3</sup>/h i.e. 2.5 million tones annually.

## SHORT-TERM PRIORITIES

### a) Electro-transmission system

- **Development of a Study on reliability of the electric power system and investment program.** With an aim of accomplishing the legally stipulated competence in the transmission network maintenance and development, as well as fulfilling the obligations regarding public service provision in a reliable manner, which implies reliable, timely and quality supply of electric power at a reasonable delivery price and care for the environment, METSO will develop the transmission network in the manner prescribed in the Study on reliability of the electric power system, which should be developed based on an assessment of the electric power system reliability, in accordance with the Electric Power Transmission Network Rules. METSO's short-term – annual planning and investment in the electric power transmission system is based on the investment program developed in compliance with the Study on reliability of the electric power system and EPS analyses on new plants for the current year and the existing electric power transmission system plants reconstruction and revitalisation plans.
- Realisation of the Action plan for implementation of the road maps and obligations deriving from the Treaty of Energy Community of SEE
- **Reconstruction and revitalisation of the existing transmission substations and overhead transmission lines,** whereby the electric power transmission system's performances will be improved and reliable supply of electric power to the consumers will be provided.
- Power Substation Project, which includes the construction of SS Skopje 5 – I phase, SS Petrovec, SS Dracevo and 2 x 110 kV two-system OHTL from Vrutok to Tetovo, was launched in 2004 and is funded by the European Investment Bank (EIB). So far, the construction of SS Skopje 5 – I phase has been completed and high-voltage equipment has been supplied for SS Dracevo and SS Petrovec.
- **New interconnections with the neighbouring electric power systems:**

Towards East – as part of the *Transport Corridor 8*:

- **400 kV interconnection line Stip (Macedonia) – Cervena Mogila (Bulgaria)**

Regarding this interconnection, Contracts have been signed in relation to the construction of transmission line and Substation Stip. The construction at tower sites of the transmission line has commenced, while underway is the preparation of technical documents related to the construction of SS Stip by the contractor. This project is included into the priorities of trans-European Energy Networks (TEN-E – Decision No 1229/2003/EC of June 26, 2003).

Towards South – as part of the *Transport Corridor 10*:

- **400 kV interconnection line Bitola (Macedonia) – Florin (Greece)**

The construction contract concerning this interconnection has been signed and the construction activities at tower sites have started.

- **Electric Power System of the Republic of Macedonia Development Project.**

The Project for Development of the Electro-Energy System of the Republic of Macedonia has been included into the framework of the World Bank Strategic Plan for investment in the Energy Community of the Southeast Europe for the Development of the Regional Energy market.

The Project for Development of the Electro-Energy System of RM, the value of which is 25 mil. \$ (20.8 mil. EURO) will be implemented over the period from 2006 to 2011 and comprises the following five components:

- 1) Extension of the substation Skopje 5 (implemented in December 2006 – second transformer at SS Skopje 5 put in operation)
- 2) Reconstruction and construction of an interconnection and overhead transmission lines. Together with the interconnection line to Greece, described above, also planned as part of this component are: Construction of a new 2x110 kV overhead transmission line from TS Bitola 3 to TS Bitola 4 and reconstruction of the existing 110 kV overhead transmission line TS Skopje 1 – TS Tetovo 1 [planned to be constructed in the period 2007-2008]
- 3) Upgrading the existing EMS system and the planning software;
- 4) Upgrading and reconstruction of the existing 110/x kV substations;
- 5) Support for the institutional development.

In 2007, the implementation of the remaining components will start which, based on a separate schedule of activities, are to be completed by 2011.

**MEDIUM-TERM PRIORITIES**  
**TRANSPORT INFRASTRUCTURE**  
**a) Electro-transmission system**

- **New interconnections with the neighbouring electric power systems**

Towards North – as part of the *Transport Corridor 10*:

- **400 kV interconnection line Skopje (Macedonia) – Nis (-Leskovac-Vranje) (Serbia)**. The planned expenditure on the Macedonian part is 8.880 million Euros. In relation to this Project, the electric power transmission operators of Macedonia (METSO) and Serbia (EMS) signed a Memorandum of Understanding which stipulates that both parties should take activities for providing financial resources for the construction of this interconnection, i.e. each party should take care of their respective part of the interconnection.

Towards West – as part of the *Transport Corridor 8*:

- **400 interconnection line: 400 kV transmission line Bitola (Macedonia) – Elbasan (Albania) – Tirana (Albania) – Durres (Albania) and 400 kV subaquatic cable Durres (Albania) – Foggia (Italy)**. The envisaged expenditures on the Macedonian part are 16.7 million Euros. Namely, on April 13, 2005, in Sofia, the ministers of Albania, Bulgaria, Italy and Macedonia signed the “Joint Statement for energy infrastructure cooperation” as a support tool to the implementation of power infrastructure projects, including projects of the Trans European Networks (TEN-E) in the European – Mediterranean Energy Ring and power infrastructure construction projects in the European Corridor 8.

**b) Gas Pipeline System**

- **Extension of the main transport gas pipeline in the direction Skopje – Tetovo – Gostivar – Debar – Ohrid and Struga for connection with R. Albania (Corridor 8)**

The length of the facility will be 158 km, and the capacity 800 millions m<sup>3</sup> per year. The planned investment amounts to 45 million euros. The duration of the construction is planned to be 24 months.

- **Distributive gas pipeline towards UNMIK-Kosovo, adjustment of the gas pipeline Skopje - General Jankovic (Serbia) (Corridor 10)**.

The aim of the revitalisation of the existing gas pipeline is to provide supply with natural gas to the consumers in the territory of Kosovo.

The length of the gas pipeline is 20 km and the foreseen capacity will be 50,000 m<sup>3</sup>/h. With its characteristics, the gas pipeline belongs to the distributive network category.

**The estimated investment amount is 2.0 million Euros.**

- **Construction of a main gas pipeline Klecovec – Negotino (Corridor 10)**

This transport capacity will enable supply of gas to the existing thermo-power plant -TEP Negotino (210 MW) and would represent a substitute for the crude oil, presently used as primary fuel. In addition, the supply of the consumers in the central and eastern part of Macedonia will be provided.

The length of the gas pipeline is 101 km and the annual capacity is 800 millions m<sup>3</sup>. The total value of the investment is estimated at 20 million euros. The duration of the construction is 24 months.

The construction of this gas pipeline is of special importance, considering the context of a wider investment project with which the upgrading of the TEP Negotino will be carried out.

**The interest here is, in the first place, that the previously mentioned projects mainly be funded by foreign direct investments. There is a possibility for funding provided by the Republic of Macedonia with own means.**

- **Trans Adriatic Pipeline**

The construction of the Trans Adriatic Pipeline is infrastructural project the aim of which is to connect the energy markets in Italy and Southeast Europe with the pipeline systems of the Middle East. The pipeline is planned to pass through Bulgaria, Macedonia, Albania and Italy, in the direction of the *Corridor 8*, with total length of 585 km.

The capacity of the pipeline is 8 – 12 billion m<sup>3</sup> annually of which 10 % will be for the countries through which it transits.

In the Republic of Macedonia, the pipeline is envisaged to pass from Delcevo through Prilep to Struga. The length of the route is around 200 km. The value of the project is estimated at 1.2 billion Euros. The project investor is the trade company for gas and electrical power EGL (Elektrizitats-Gassellschaft Laufenburg) with head-quarters in Switzerland.

So far a pre-feasibility study has been prepared, and the Feasibility Study is in its final phase. The construction is planned to last for 2.5 years. On the 14th of July.2004, the Memorandum of Understanding for realisation of the project between EGL and the Republic of Macedonia was endorsed. Similar memorandums have been signed with R. Bulgaria, R. Albania and R. Italy. In the following period a mixed work team will be formed which will determine the detail route and private companies as leaders of the realisation will be established.

### c) Oil Pipeline AMBO

An important project in the *Corridor 8* is the Trans Balkan Oil Pipeline AMBO. The purpose of this pipeline is to bridge the Balkan Peninsula and consequently to facilitate the transport of oil for the European oil industry, between the Black Sea Coast and the Adriatic Sea, avoiding the Bosphorus passage.

The Pipeline is 894.5 km long of which 273 km pass through the territory of the Republic of Macedonia. Four pump stations are planned (2 in the Republic of Bulgaria and 1 in each of the Republic of Macedonia and the Republic of Albania). The capacity is 750.000 barrels daily which means transport of around 30 – 40 million tones of oil annually. The construction will last for 2.5 years.

### FOREIGN ASSISTANCE

- Project : Construction of facilities of the electric power network (TS Petrovec and 2 x 110 kV two-system OHTL from Vrutok to Tetovo) – the finances for 2006 are 0.1 million euros (METSO) and 1.00 million euros (credit from EIB), for year 2007, 3.70 million euros (METSO) and 6.12 million euros (credit from EIB), while those for 2008 amount to 0.11 million euros (METSO) and 0.5 million euros (credit from EIB);
- Project for development of EPS of Republic of Macedonia – the finances for 2006 are 0.51 million euros (METSO) and 0.87 million euros (credit from the World Bank), for year 2007, 3.15 million euros (METSO) and 2.98 million euros (credit from the World Bank), for year 2008, 0.72 million euros (METSO) and 1.25 million euros (credit from the World Bank), for year 2009, 3.37 million euros (METSO) and 5.81 million euros (credit from the World Bank) while the amounts of funds following 2009 are 2.97 million euros (METSO) and 6.64 million euros (credit from the World Bank) .
- Interconnection line 400 kV TS Bitola 2 (Macedonia) – TS Florina (Greece) and 400 kV overhead transmission line bay in TS 400/110 kV Bitola 2 – the finances for 2006 are 0.01 million euros (METSO) and 0.32 million euros (credit from the World Bank), while those for 2007 amount to 0.42 million Euros (METSO) and 2.89 million euros (credit from the World Bank).
- Interconnection line 400 kV Stip (Macedonia) – Cervená Mogila (Bulgaria) and a new substation 400/110 kV Stip – the finances for 2006 are 0.27 million euros (METSO) and 3.93 million euros (credit from EBOR), for year 2007, 3.180 million euros (METSO) and 23.25 million euros (credit from EBOR), while those for 2008 amount to 0.16 million euros (METSO) and 1.28 million euros (credit from EBOR).
- Trans Adriatic Pipeline- 1.2 billion euros. The investor of the project is the trade company for gas and electrical power EGL (Elektrizitats-Gesellschaft Laufenburg) with head-quarters in Switzerland;
- The oil pipeline AMBO – 1.2 billion US dollars. The means will be provided through financial assistance by IFC of the WB, private investors from USA EX/IM Bank in Washington and EBOR from London.

## 3.21.3 TRANS-EUROPEAN TELECOMMUNICATION NETWORKS

### CURRENT SITUATION

#### LEGAL FRAMEWORK

The Law on Electronic Communications (Official Gazette of the Republic of Macedonia No. 13/05) lays down the conditions and manner of carrying out operations in the field of electronic communications, it creates conditions for complete liberalisation within the electronic communications, especially in relation to infrastructure building, then it enables access and interconnection to public communication networks of other operators and providers of public communication services and provides a simpler procedure for the commencement of communication activities. The Law incorporates all the relevant EU measures.

#### INSTITUTIONAL FRAMEWORK

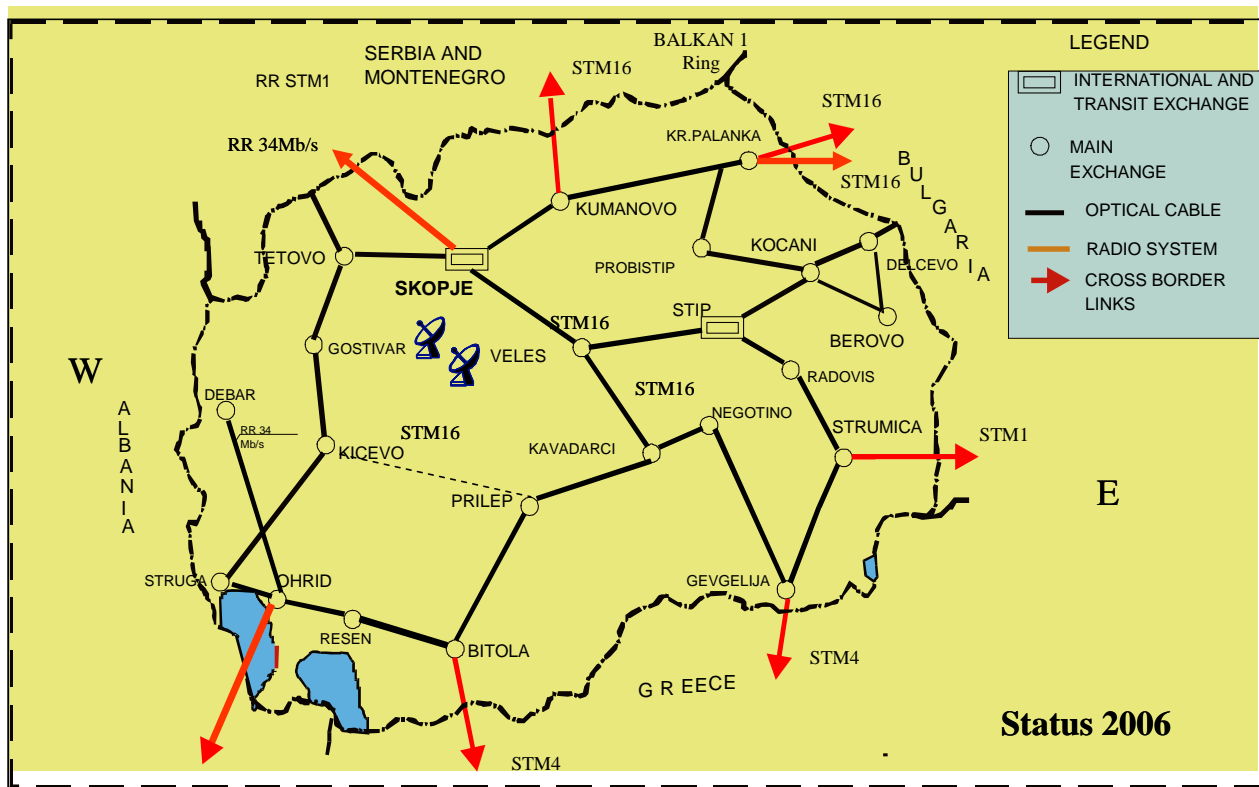
**Ministry of Transport and Communications** and the **Agency for Electronic Communications** are the competent bodies regarding the implementation of activities relating to electronic communications. See Chapter 3.10 for more details.

#### Electronic Communication Network Operators

Pursuant to the Law on Electronic Communications, the construction, maintenance and operation of electronic communication networks and the supporting infrastructure are matters of public interest. Electronic communication networks and the supporting infrastructure should be built and operate in compliance with the Law on Electronic Communications and the regulations derived from it, the regulations relating to the physical planning and construction, the regulations relating to the environment protection, and the effective technical regulations and standards.

**JSC Macedonian Telecommunications** is the operator of the public fixed telephone network in the Republic of Macedonia, privatised in December 2000. In November 2006, the State owns 47.125% of the company capital plus one golden share. The structure of JSC Macedonian telecommunications network's international capacities, whereby the Republic of Macedonia maintains telephone communication with all countries in the world is given in the figure below.





With an aim of speeding up the process of competitive market creation in the field of electronic communications and stimulate the investments in electronic communications by introducing new technologies and services, the Law on Electronic Communications brings about significant simplification of the procedure for commencement of activities concerning construction and/or use of public electronic communication networks and/or provision of public electronic communication services. Namely, prior to starting with the construction and/or use of public electronic communication networks, legal entities – public electronic communication network operators are obliged to submit a relevant notification to the Agency for electronic communications. The notification procedure is simple and does not take longer than 15 days of the date of submitting, following which the Agency sends a written confirmation of the registration made.

### SHORT-TERM PRIORITIES

The Law on Electronic Communications stipulates the enactment of:

- National Strategy on Development in the field of Electronic Communications and Information Technologies

This Strategy will be enacted in light of the Information Society Development Strategy in the Republic of Macedonia. The National Strategy will determine the main strategic goals for faster development of the electronic communications sector in the Republic of Macedonia, especially by means of liberalisation of the public electronic communications market and the capacities and technologies for the country's international connections.

## **3.22 REGIONAL POLICY AND COORDINATION OF STRUCTURAL INSTRUMENTS**

Being granted candidate status for membership of the European Union, the key activities of the Government of the Republic of Macedonia in the field of regional policy in the forthcoming period are the following: preparation for the use of pre-accession funds (Instrument for accession aid- IPA 2007-2013) i.e. preparation of the Strategic Coherence Framework (CSF) and Operational Programmes, providing the required institutional framework for managing the EU aid instruments as well as providing administrative capacity for funds management.

Simultaneously, the Government is working on establishing the adequate legal and institutional framework for national regional development, whereby following the draft-National Development Plan and the Pre-accession economic programme, the first step will be the adoption of the Law on balanced regional development and the National Strategy for regional development which will set the basis for development at the level of NUTS 3 (statistical regions).

### **3.22.1 TERRITORIAL ORGANISATION**

#### **CURRENT SITUATION**

The Nomenclature of Territorial Units for Statistics – NUTS in the Republic of Macedonia was adopted by the Government of the Republic of Macedonia in April 2001. The current ongoing process is the alignment of the Decision on NUTS as a national standard with the Law on territorial organisation of the local-self government of the Republic of Macedonia from 2004 (“Official Gazette of the Republic of Macedonia” 55/04) and with the EU Regulation 32003R1059.

According to this Nomenclature, at NUTS level 1 and 2, the entire territory of the Republic of Macedonia is one unit, at NUTS 3 are the regions (8 statistically – non-administrative units), at level 4 i.e. LAU 1 are the municipalities (84 units), at level 5 i.e. LAU 2 are the populated areas (1776 units).

The regions at NUTS level 3 represent solely statistical, non-administrative regions. The establishment of aligned and comparable statistical data regarding the labour market, agriculture, demographics, education, the economy etc. at level of statistical regions, will represent the basis for planning and programming regional development.

#### **SHORT-TERM PRIORITIES**

- **Adoption of decision proposal for NUTS** by the State Statistical Office, which shall be aligned with the EU Regulation 32003R1059. During 2007, the Government will adopt the amendments of the Nomenclature for Territorial Units for Statistics - NUTS.

#### **MEDIUM-TERM PRIORITIES**

Implementation of the decision by providing the adequate statistical database for the implementation of the balanced regional development policy.

### **3.22.2 LEGAL FRAMEWORK**

#### **CURRENT SITUATION**

At national level, there isn't a common law which integrally regulates the relations in the regional development. However, the following are some of the legal acts which directly or indirectly are relevant to regional development:

- Law on local self-government ( Official Gazette of RM No.5/2002)
- Law on territorial organisation of the local-self government of the Republic of Macedonia (Official Gazette of RM No.55/04)
- Law on the City of Skopje (Official Gazette of RM No. 55/04)
- Law on initiating the development of economically under developed regions (Official Gazette of the Republic of Macedonia No. 2/94, 39/99)
- Law on funding local-self government units (Official Gazette of RM No. 61/2004)
- Law on property tax (Official Gazette of RM No. 61/04 )
- Law on value added tax (Official Gazette of RM No. 44/99, 19/04 )
- Law on budgets (Official Gazette of RM No. 79/93, 3/94, 71/96, 46/00,11/01, 93/01, 46/02, 61/02, 24/03 and 85/03)
- Law on state aid (Official Gazette of RM No. 24/03)

- Decision on the criteria, amount, conditions and manner of using funds for initiating development of insufficient economically under-developed regions (Official Gazette of RM No. 67/99)
- Law on spatial and urban planning (Official Gazette of RM No. 51/05)
- Spatial plan of RM (Official Gazette of RM No. 39/04)
- Decision for determining economically under-developed regions in the Republic of Macedonia for the period 2003 - 2007 (Official Gazette of RM No. 28/03 and 2/04)

The **Law on local self-government** (Official Gazette of the Republic of Macedonia No. 55/04) regulates the following: competencies of the municipality as defined in Article 22 which as of 1<sup>st</sup> of July 2005 became the leading competencies of the municipality; procedures for direct decision-making by the citizens regarding their money; mechanisms for cooperation between the municipalities and the Government of the Republic of Macedonia, etc.

The **Law on territorial organisation of the local self-government of the Republic of Macedonia**, (Official Gazette of the Republic of Macedonia No. 55/04) determines the number and borders and areas of local self-government units, according to which, the Republic of Macedonia is organised in 84 municipalities and the city of Skopje as a separate local self-government unit. This Law also regulates the procedures for merging, separating and changing the borders of the municipalities and the city of Skopje as well as other issues which are related to the territorial organisation of the local self-government.

The **Law on initiating development of economically under-developed areas** (Official Gazette of the Republic of Macedonia No. 2/94, 39/99) regulates the measures for initiating development of economically under-developed areas, the criteria according to which the populated areas will be selected towards which the measures outlined in this law will be directed, the criteria for determining specific areas, sources and purposes of the funds of the institution through which this policy will be implemented.

The Law aims to decrease the regional disparities in the country, on segment basis, i.e. only the development of the most under-developed areas in the country will be supported by a special Government decision, which is adopted every four years. The implementation of the Law fully applies the project approach, the principle of collecting initiatives at local level (municipalities, local communities, citizens' associations, etc.), the principle of co-funding, where the investor participates with 20% of the total computed value of the project, thereby also providing control on the realisation of the project and the manner in which the funds are spent, by engaging the services of a professional supervisory body, payment after submitting the documentation for the executed work and selection of an executing subject of the investment through a tender, in accordance with the Law on procurement.

The **Law on budgets** (Official Gazette of RM No. 64.05) regulates the procedure for preparation, adoption and budget execution of the Republic of Macedonia and the budgets of local self-government units and the city of Skopje and reporting on the budget execution.

The Ministry of Finance is competent for the management of the funds received from the EU Budget, in accordance with the provisions and rules of the European Union for funding and concluding? agreements. The funds from the structural and cohesion funds of the European Union as well as the relevant aid and programmes of the European Union are an integral part of the budgets and are represented separately through revenue plans and approved funds per programme and sub-programmes. The approved funds from the primary budget intended for co-funding are represented in the budget through the relevant programme, i.e. sub-programme. The funds from the structural and cohesion funds of the EU as well as the relevant aid and programmes of the EU are a long-term obligation of the Republic of Macedonia, as well as of the municipalities and are used in the duration period of the project.

The strategic priorities of the Government of the Republic of Macedonia, the Fiscal Strategy, proposal strategic plans of the budget users and the budget policy, as well as the priorities of the municipalities are the basis for budget preparation. The Minister of Finance is responsible for the preparation of the Budget of the Republic of Macedonia and for its delivery to the Government of the Republic of Macedonia. The Mayor is responsible for the preparation of the budget of the municipality and its delivery to the Council of the Municipality.

The Government of the Republic of Macedonia determines the strategic priorities for the forthcoming year, no later than the 15<sup>th</sup> of April in the current year. It is mandatory that the strategic priorities of the Government of the Republic of Macedonia, as a summation of objectives and initiatives, include the budget users of the central government and funds in its budgets through government programmes and sub-programmes.

The Law enables mechanisms for multi-annual budget programming. The budget users prepare a **three-year strategic plan** which contains programmes and activities for realisation of strategic priorities of the Government of the Republic of Macedonia and the priorities of the budget user for that period.

The **Ministry of Finance prepares a Fiscal Strategy for a mid-term period of three years** in which it proposes the guidelines and objectives of the fiscal policy and determines the amounts of the main categories of the estimated revenues and approved

funds for that period. The Fiscal Strategy is adopted by the Government of the Republic of Macedonia, no later than the 31<sup>st</sup> of May in the current fiscal year.

The Fiscal Strategy contains the following:

- Basic economic assumptions and guidelines for the preparation of a Budget proposal of the Republic of Macedonia;
- The estimated amount of revenue, expenses and Budget funding for the current fiscal year;
- An estimation of the amount of revenue, expenses and Budget funding for a medium term of three years;

In the context of the rules for using EU funds which are related to procurement, state aid, environment and equal opportunity for men and women, the legal framework of the Republic of Macedonia is as follows:

**a) Public procurement** (For more information, see Chapter 3.05).

The **Law on public procurement** provides for improving the transparency in the public procurement procedures and in order to provide fair competition and prevention of corruption and fraud, the following activities are planned: publishing public procurement, tenders, procedures and forms on a web-page, including the findings of the second-instance Commission for public procurement; preparing quarterly reports on the complaint procedures and objections for public procurement; regular and continual updating of the Single Register for realised public procurement; and preparing quarterly reports to the State Commission for Prevention of Corruption.

**b) State aid** (for more information, see Chapter 3. 08)

The **Law on State Aid** (Official Gazette of the RM No. 24/03 and 70/06) regulates the procedure and supervision of granting and use of state aid with the aim to implement the principles of market economy, maintain fair competition and executing the obligations derived from internationally ratified agreements that contain provisions on state aid. The Law prohibits granting state aid which disrupts or threatens to disrupt competition through preference of certain enterprises or certain products up to the point where it can influence the trade between the Republic of Macedonia and the European Community.

The Law on State Aid regulates regional aid which is granted for the advancement of economic development in the areas of the country where the living standard is low or where the level of unemployment is very high. The regional aid is actually aid which is in accordance with the objectives of the regional policy of the Republic of Macedonia, which gives support to productive initial investments or creating employment positions, related to the investment.

**c) Environment** (For more information, see Chapter 3. 27)

The **Law on Environment** (Official Gazette of the Republic of Macedonia No. 53/05 and 81/05), is a framework law in the field of environment and it transposes the part of the *acquis communautaire* known as horizontal legislation. The Law on Environment establishes the basic principles and procedures of environmental management and pollution control to which other sector laws refer.

The Law on Environment regulates the environment impact assessment (hereinafter referred to as EIA), for which in 2005 and 2006 bylaws were adopted that fully regulate the procedure for the implementation of EIA. In addition, the Law on Environment contains the implemented requests by the Convention for environment impact assessment in trans-border context – Espo Convention, (Official Gazette of the Republic of Macedonia No.44/99), which prescribes the procedure for the assessment of the impact on the environment in trans-border context. The competent body for the implementation of the full EIA procedure is the Ministry of Environment and Physical planning, including the part related to the public's participation in the decision-making process.

The procedure for the assessment of certain strategies, plans and programmes on the environment (SEA) is regulated by the Law on Environment, and the full regulation will be achieved with the adoption of bylaws to be realised in 2007, which will simultaneously enable the ratification and implementation of SEA Protocol.

**d) Equal opportunities for men and women** (for more information, see Chapters 3.19 and 3.23.3)

The **Law on equal opportunity** (Official Gazette of the Republic of Macedonia No. 66/06) regulates the common basis for improvement and advancement of the status of women and implementing equal opportunities for men and women in political, economic, social, education spheres and other spheres from the social life. The Law has been harmonised with the following directives: Council Directive No. 97/80/E3 from the 15th of December 1997 for salience of proof in cases of gender discrimination and the Council Directive No. 2002/73/E3 for the implementation of the equal treatment approach of men and women.

## SHORT-TERM PRIORITIES

### STRATEGIC DOCUMENTS

- **Preparation of the National Strategy for equal regional development** – the Strategy for equal regional development of the Republic of Macedonia represents a long-term planning document (for a ten-year period) that contains the following: principles of the regional development policy, analysis of the economic and social situation at the level of statistical regions (NUTS 3), concept for development, priorities and strategic targets of regional development, institutions and implementation mechanisms, monitoring and evaluation of the Strategy and measures of regional development. The development of the Strategy will begin after the draft version of the National Development Plan of the

Republic of Macedonia becomes official. The work within the Strategy will in the duration of 9 months and it is expected that the draft version will be ready at the end of 2007.

- **Adoption of the Law on balanced regional development** – it is necessary that this Law regulates the following: general principals and targets of the balanced regional development policy; planning regions at NUTS 3 level and areas with specific development needs; planning of regional development and planning documents; competencies of public bodies for development and implementation of the balanced regional development policy; funding; instruments for initiation of regional development; monitoring, evaluation and financial control of the implementation of the planning documents, programmes and projects; other issues related to regional development. The draft version of the Law has been prepared and it is expected that the law will be adopted during 2007.
- **Decree (decision) for coordination of structural instruments**, which should define the institutional structure and accountability of the relevant institutions (accredited) for the use of EU funds, preparation of operational programmes, implementation and monitoring of the use of programmes. This decision should also define the procedures for preparing, implementing and supervising the projects funded by the structural instruments.

### 3.22.3 INSTITUTIONAL FRAMEWORK

#### CURRENT SITUATION

There aren't any bodies or institutions at national or regional level that are involved regional development. The institution through which the policy for initiating economically under-developed areas is the **Bureau for economically under developed regions**, in a manner and according to the criteria determined by the Law on initiating development of economically under developed regions (Official Gazette of the Republic of Macedonia No. 2/94, 39/99). The funds for this policy are mostly provided by the State budget, and they are used in accordance with the Decision on the criteria, amount and the manner for using the funds for initiating development of economically under developed regions ("Official Gazette of the Republic of Macedonia No. 67/99). The legally prescribed volume for these funds is 1% of the planned gross domestic product for the relevant year, but until now, a smaller volume of the funds has been provided.

The Bureau, as a body within the Ministry of local self-government is an independent institution in terms of the decision-making process within its work. The Bureau works according to the principle of partnership with local administrative bodies or non-governmental institutions, associations etc. and the project initiatives which are supported with the adequate investment and other documentation are of a local character. The Bureau carries out an objective assessment of the computed value, direct review of the object under construction, and the decision for participation in funding the Bureau is passed based on prior opinions adopted by a special commission. The Bureau is not an investor, since the use of the funds, i.e. the investor implements the procedure for public procurement independently in accordance with the regulation. During the realisation of the project, the Bureau reviews the execution of activities in each phase of construction, and subsequent to the completion of the object, it participates in the technical review along with the supervisory body. The funds are paid directly to the contractor after the complex documentation for the executed activities is received, and the full payment is carried out after the completion of the technical review of the object. If it is concluded that the funds have been spent on items beyond the prescribed frame, the Bureau can legally file a claim to return the funds with a computed penalty interest.

The Bureau does not have local units, and with its current organisational structure, staffing and technical equipment, it cannot position itself as the bearer of complex regional development, not without transformation, and strengthening of its organisational structure, staffing and technical equipment.

With the Decision passed by Government of the Republic of Macedonia regarding the commencement of **the process of Decentralisation of the implementation system of EU aid**, the full national structure has been formed and appointed for each phase of the cycle for using EU funds (programming, implementation, monitoring and evaluation). In accordance with the Law on Government, **the Deputy Prime Minister responsible for the European issues is the National co-ordinator for foreign aid**, and in order to preserve consistency and the necessary complementary dynamic, he/she is also appointed as the **National IPA coordinator**, in accordance with the rules for decentralisation of EU aid.

In November 2005, subsequent to the changes of the Rulebook on systematisation of job positions in the Ministry of Finance and the Rulebook on the organisation and work of the Ministry of Finance, two separate units were formed, namely the Central Financing and Contracting **Unit (CFCU)** and the **National Fund (NF)**.

In December 2006, the **Competent Authorising Officer (CAO)** is appointed, that is the Minister of Finance and the National Authorising Officer (NAO), that is the Head of Sector for Public Debt management. In the ministries with portfolio, **Senior Programming Officers** were appointed– SPOs .

The Strategy and the Law on Public Internal Financial Control have been adopted by the Government and the CARDS Twinning project for strengthening the public internal financial control system of the Republic of Macedonia-PIFS has been prepared (the project tasks have been developed by the Sector for Central internal audit) and the start of the project is expected at the start of 2007.

The DIS structure in the Republic of Macedonia (MF CFCU) will be responsible for the implementation of the four IPA components: Assistance in the transition and institutional building; Regional and cross-border cooperation; Regional development and Human Resources Development.

According to the EU procedures for management of the fifth IPA component for Rural Development there is a need to introduce a full DIS. Therefore, the activities for setting up administrative structures for establishing the Paying Agency – IPARD are ongoing; in the pre-accession period, the Agency will implement the National Programme for enhancing the development of agriculture and the IPA funds which refer to the rural development component. The IPARD Agency will be responsible for authorising and executing the payments and keeping accounting records of IPA funds for rural development.. See Chapter 3.11

### SHORT-TERM PRIORITIES

- **Awarding national accreditation until the end of 2007.** The preparation of the full Decentralised system of implementation (DIS) will be executed until June 2007 once the remaining phases are completed, subsequent to which the Republic of Macedonia shall receive full accreditation and DIS shall be operational in the Republic of Macedonia. After the introduction, the decentralised system of implementation is expected to be upgraded and continuously advanced into a fully independent system.  
In terms of the full decentralised system for implementation (the full DIS), the plan is to accredit the system until the end of 2007.
- **Principle of partnership will** be realised through cooperation, connection and active participation in the preparation of the acts and projects which are in the function of regional development on national, regional and local level. This cooperation will be carried out on vertical and horizontal level, by including the business partners, social partners, non-governmental organisations, through the projected bodies in the proposal Law on equal regional development:
  - **Council for balanced regional development of the Republic of Macedonia** (body for harmonisation and coordination of the general policy),
  - **Council for development of the planning region** (body for implementation of regional policy on the level of planning region that corresponds to the units of NUTS 3 level)

### MEDIUM-TERM PRIORITIES

Creation of an institution for regional development represents a medium-term priority in order to achieve success in conducting the complex regional development policy. Initially, it will be competent for the implementation of projects from the components 3- Regional development and 4- Human Resources, Development, followed by the projects funded by the structural instruments.

## 3.22.4 ADMINISTRATIVE CAPACITY

### CURRENT SITUATION

The administrative capacity of the Republic of Macedonia is being upgraded so that EU assistance can be efficiently implemented; capacity building in terms of adequate structure, human resources, systems and procedures is indispensable.

**The Central Financing and Contracting Unit** operates within the framework of the Sector for budgets and funds, within the Ministry of Finance. The Head of this Unit is the Programme Authorisation Officer (PAO), who was appointed in November 2005 and initially, it was projected that the unit should operate with 8 employees. The CFCU will be responsible for the realisation of the four IPA components: transition and institutional building, cross-border cooperation, regional development and development of human resources.

**The National Fund** is a special unit which operates within the framework of the Treasury Department. The Head of the NF was also appointed in November 2005 and initially, this unit is projected to operate with 6 employees. This unit will manage the funds of the five IPA components.

Currently, a total of 7 persons are employed in CFCU and 5 in NF.

Until now, the Ministry of Finance has provided three offices and equipment for CFCU and two offices for NF and additional two offices for the experts that have been hired by the Projects for gap-plugging which are funded by the European Commission. In cooperation with EU experts, the organisational charts of CFCU and NF were developed.

Phase 2 of the introduction of the DIS-phase for gap – plugging began on the 3<sup>rd</sup> of July 2006. and two parallel projects were realised

- Training and IT support for CFCU and NF, SEA and ministries with portfolio; and
- Assistance in management and institutional procedures in CFCU, NF and SEA and the line ministries

The projects were concluded on 15<sup>th</sup> of December 2006.

### SHORT-TERM PRIORITIES

- Adopting the Rulebook on procedures for the work of the Central Financing and Contracting Unit and the Rulebook on the work of the Unit for EU funds management.
- Amendments to the Rulebooks on organisation and systematisation on job positions in the Ministry of Finance and all line ministries– users of IPA funds acting on a Conclusion passed by the Government of the Republic of Macedonia.

In 2007, the intensive DIS training will continue. Namely, within the framework of the Project for training for the DIS Component 1, a strategy for training will be prepared, according to which all the necessary training will be projected for the upgrade of the DIS capacity in 2007.

Strengthening of the capacity of the National Fund will continue as well as of the Payment Agencies and organisational structures for implementation, and of the Central Financing and Contracting Unit within the Ministry of Finance.

Moreover, the administrative capacity will be advanced in accordance with the structures/institutions that will be defined by the Law on balanced regional development.

### MEDIUM-TERM PRIORITIES

The medium-term priority of the Government of the Republic of Macedonia, namely until 2010 is to carry out training for the use of the structural and cohesion funds, with which Macedonia, as an EU member could use the opportunities provided by these funds. Another medium-term priority is to strengthen the capacity of infrastructure projects within the framework of the institution that will be competent for regional development.

## 3.22.5 PROGRAMMING

### CURRENT SITUATION

**The National development plan was prepared during the course of 2006.** The National Development Plan – NDP (2007-2009) is a comprehensive medium-term programme document that contains detailed analysis of the current economic and social condition, defines the development objectives of the Republic of Macedonia, formulates and extensively presents the development and investment priorities on the level of sectors with the allocation of financial resources for each priority individually. As such, the NDP represents a solid framework document for the construction of development policy and a sound base which will provide the creation of a longer term development document for the period 2009-2013, of the Strategic coherent framework and the operational IPA programmes.

The growth of international competitiveness of the state is the central focus of the NDP and its implementation is based on four groups of measures of the economic policy and investment intervention defined as development and investment priorities, which are either directly or indirectly aimed at contributing towards the realisation of that objective. Those four priorities are: (a) competitiveness of the corporate sector; (b) development of human resources; (c) economic infrastructure; and (d) agricultural and rural development. A component for technical assistance is included within each of the four priorities. Aside from these four priorities, the priorities related to ecological and regional development, as well as the development of information society is included as priorities of horizontal level.

The National Development Plan has been prepared with the active participation of state bodies, local self-government units and other institutions coordinated by Ministerial Committee on political level and Secretariat on operative level. At the same time, its creation included domestic and international experts and UNDP. The participatory approach in the development of the NDP and the principle of partnership confirm its exceptional significance and strengthen the sense of ownership over the plan. The draft-version of the NDP has been prepared and the final adoption by the Government is expected to in 2007/I.

Within the framework of the project for Regional economic development of the eastern part of the Republic of Macedonia (REDEM-GTZ) **plans for development of two statistical regions (East and Southeast)** have been constructed which should be prepared by the middle of 2007. Within the framework of the project, a Regional assembly has been set-up in 23 municipalities as a structure for regional management and at the same time training for regional managers will be carried out through GTZ.

## SHORT-TERM PRIORITIES

**Preparation and adoption of the Strategic Coherence Framework-SCF and Operational Programmes**, as two most important tools for the use of IPA funds. The SCF is a strategic document for components 3 and 4 (Regional development and Human Resources Development), which determine the key guiding strategies, and it will define the common strategy for the programme funds in which the two components will have to be complementary and consistent. That way, the SCF can provide a strategic connection between the priorities of the Republic of Macedonia and the EU, defined in the Multi-annual Indicative Planning Document. In terms of the Operational Programmes which are necessary for the programming of the five IPA components, for component 3 is necessary to develop one operational programme (2007-2009) which will cover the following areas: transport and environment.

The first draft of the SCF document and operational programmes should be prepared and delivered in the first quarter of 2007 in order to finalise these documents after the discussions with the EC which will enable decision-making by the EC for approval of the funding. In relation to this, the Government by passing a decision will nominate partners on central and ministerial level with contact persons, i.e. operational teams will be formed that will work with IPA programming for each component individually and on the development of a Strategic Coherence Framework.

## MEDIUM-TERM PRIORITIES

Implementation of the priorities in the National Development Plan and annual revision and update of the document are foreseen.

## 3.22.6 FINANCIAL MANAGEMENT AND CONTROL; MONITORING AND EVALUATION

### CURRENT SITUATION

Currently, CFEA and NF do not have funds and project funded by the pre-accession funds of the EU. However, the draft version of the procedures for financial management, control, monitoring and evaluation has been prepared and the training for their implementation in each unit has been concluded.

### SHORT-TERM PRIORITIES

The Rulebook on the procedures for programming, financial management, control, monitoring and evaluation will be finalised in the second half of 2007.

### MEDIUM-TERM PRIORITIES

The development of DIS system shall continue which would build the capacity for transfer of competencies for management of the third and fourth IPA component of the institution for regional development.

## INSTITUTION BUILDING REQUIREMENTS

BUDGETARY BENEFICIARY/ INSTITUTION	INSTITUTION/ SECTOR	Current status 31.12.2006	2007	2008	2009	2010	Total
09002: Ministry of Finance/ Government Functions	NEW: (8 centres for development of planning regions)	0	0	10	5	10	25
09002: Ministry of Finance/ Government Functions Total		0	0	10	5	10	25
19101: Ministry of Local Self- Government	NEW: Sector for Regional Development	20	3	0	3	4	10
19101: Ministry of Local Self- Government Total		20	3	0	3	4	10
28001: Bureau for Economically Underdeveloped Regions	BEUR: Bureau for Economically Underdeveloped Regions (it will be transferred into the Bureau for Balanced Regional Development)	14	0	2	4	4	10
28001: Bureau for Economically Underdeveloped Regions Total		14	0	2	4	4	10
<b>TOTAL</b>		<b>34</b>	<b>3</b>	<b>12</b>	<b>12</b>	<b>18</b>	<b>45</b>

## FOREIGN ASSISTANCE

With the technical assistance provided by the EU, a project will be carried out during the period March – June 2007 which will focus on preparing a Gap assessment report and provide recommendations for the Gap plugging stage. Within the framework of the project, an assessment will be carried out regarding the capacity of the independent audit body and assessment of the need for its strengthening by implementing a new project, using the technical assistance of the EU.



In June 2007 a new project will commence for technical assistance with duration of 18 months, focusing on the support for the Secretariat for European Affairs, the Central Financing and Contracting Unit and the National Fund within the implementation of a decentralised system for management of the pre-accession assistance provided by the EU. The project will provide training for the employees and additionally develop DIS procedures.

## 3.23 JUDICIARY AND FUNDAMENTAL RIGHTS

### 3.23.1 JUDICIARY (see also I Political Criteria)

#### CURRENT SITUATION

##### LEGAL FRAMEWORK

The judiciary system in the Republic of Macedonia was reformed in the period 1995 – 1997, when significant part of the legislation was harmonised with international conventions and standards (the Council of Europe made positive evaluation of the reforms). The main objective of the current **Judicial Reform Strategy** along with the **Action Plan** for its implementation (2004-2007) is strengthening the independence and increasing the efficiency of the judiciary system.

During the period of 2005 and 2006, major legislative activities envisaged in the Strategy were realised. The constitutional amendments adopted in December 2005 enabled crucial changes in the arrangement and functioning of the judicial institutions. The appointment and dismissal of the judges and public prosecutors is now solely under the competence of the Judicial Council of the Republic of Macedonia (the majority of its members shall be elected by judges from their own ranks) i.e. the Public Prosecutor's Council. This enabled restructuring of the courts on the basis of specialised areas. The exclusive court jurisdiction on misdemeanours has been abolished, providing for pronouncement of sentences for misdemeanours by an administrative body i.e. body performing public authorisations (guaranteeing court protection against state administration acts), as well as two mandatory instances in the administrative procedure.

The **Law on Judicial Council of Republic of Macedonia** and the **Law on Courts** from June 2006 operationalised the new constitutional provisions which redefined the competences for appointment and dismissal of judges, the structure and the competence of the body responsible for appointments and dismissals as well as modifications in the organisational structure and courts jurisdiction. The Judicial Council of the Republic of Macedonia is an autonomous independent body of the judiciary, which provides and guarantees the independence of the judicial power. The independence and autonomy of judges are ensured through the manner of their appointment and dismissal by the Judicial Council. Guarantee for judicial independence is provided in the provisions which stipulate that judges enjoy immunity, without limit of the duration of their term of office and they cannot be transferred to another court or to another court department against their will. The independence of the Council is guaranteed by its structure comprised of majority of judges elected by the judges themselves on direct and secret elections. The Council will decide on all status issues regarding judges: appointment and dismissal, termination of the duty as a judge, monitoring and evaluation of their work, disciplinary liability, and losing immunity. Conditions with regard to appointment of the judges in the Council from the rank of judges are more rigorous - certain work experience has been foreseen in juridical function and the appointment is performed through public competition. A dismissed judge is entitled to an appeal before an independent body. The Law incorporates the following international instruments: European Convention for Protection of Human Rights and Fundamental Freedoms; Recommendations of the Council of Europe Committee of Ministers on Independence, Efficiency and Role of Judges; the European Charter on the Status for Judges; the Universal Declaration on the Independence of the Judiciary; Resolution 1987/23 and the UN General Assembly Resolution No 40/32; 4/1. The Law on Courts has introduced specialisation of courts as a very important novelty. Establishment of specialised departments and units in courts has been envisaged, and special Administrative Court will be established, competent for deciding on the legality of administrative acts of the state thereby releasing the Supreme Court from such cases. Establishment of another Appellate Court has been envisaged (apart from existing three) for the purpose of better public access to justice. The Law incorporates the principle of reasonable timescale of lawsuits according to Article 6 laid down in the European Convention on Protection of Human Rights and Fundamental Freedoms. The Law is in compliance with the following international and EU acts: Joint Action of 22 April 1996 adopted by the Council on the basis of Article K.3 of the Treaty on European Union concerning a framework for the exchange of liaison magistrates to improve judicial cooperation between the Member States of the European Union; Joint Action of 29 June 1998 adopted by the Council on the basis of Article K.3 of the Treaty on European Union on the creation of European Judicial Network; Recommendations of the Council of Europe Committee of Ministers on Independence, Efficiency and Role of Judges, the European Charter on the Status for Judges and the Universal Declaration on the Independence of the Judiciary, Resolution 1987/23 and UN General Assembly Resolution No 40/32;4/1.

Significant condition for strengthening the independence of judges is the method of their selection, education and the selection criteria. The **Law on the Academy for Training of Judges and Prosecutors** adopted in January 2005 regulates the selection, organisation and provision of initial training of judge and prosecutor candidates in the basic courts/public prosecutor's offices and continuous professional training of judges, prosecutors and court and public prosecutor's office clerks. The completion of initial training shall guarantee competent, professional, independent, impartial and efficient judicial and prosecutor's function. The Rules of Procedure of the Managing Board, the Statute of the Academy and the Rulebook on internal organisation and systematisation have been adopted.

The Law on Court Budget of 2003 introduced a new method of financing the judicial authority, which contributed to promotion of courts independence. The court budget is separated and indicated as "Court system" section and is estimated as total amount, and in line with the criteria determined by the Court Budget Council (on the basis of the fiscal policy and main categories of projected revenues and expenditures). The Court Budget Council allocates these funds to the courts.

With the adoption of the Law on Public Prosecutor's Office in 2004, the European Convention on Protection of Human Rights and Fundamental Freedoms and the Recommendation (2000)/19 of the Council of Europe Committee of Ministers - The role of public prosecution in the criminal legal system was implemented. The Law of 2004 however has not entirely implemented the Recommendation 2000/19 with regard to conducting investigation procedure. The most significant novelties are related to: establishment of the Public Prosecutor's Council competent for enforcement of the appointment and dismissal procedure and determination of public prosecutors' responsibility, appointment of deputy public prosecutors without limit of the duration of their term of office, the establishment of a special Unit for Prosecution of Perpetrators of Criminal Acts in the Area of Organised Crime and Corruption; as well as the entitlement of the senior public prosecutor to pass written mandatory instructions to the junior public prosecutor. The sole competence of the Public Prosecutor's Council to appoint and dismiss public prosecutors (except for the Public Prosecutor of the Republic of Macedonia) provided for in the constitutional amendments will be regulated with the adoption of the new Law on the Public Prosecutor's Office of the Republic of Macedonia and the Law on the Public Prosecutor's Council.

For the purpose of increasing the efficiency, significant novelties have been introduced in the litigation law and legislation. The introduction of novelties in litigation laws has created legal presumption for acceleration of the procedures through superseding weaknesses that are affecting lengthy procedures. Numerous activities have been undertaken to decrease the number of court cases and to decrease the workload of the found bottlenecks in the judiciary.

In order to make the penal policy more strict and to introduce new incriminations and ways of efficient elimination of organised crime according to the EU legislation, the amendments of the Criminal Code from 2004 were directed towards integrating the following: alternative measures of punishment; criminal responsibility of legal persons; criminal and legal institute – confiscation of proceeds acquired through criminal act; measures for elimination of money laundering, corruption, terrorism, economic and financial crime, smuggling migrants etc. During the preparation, the following documents were taken into consideration: the reports of the European Committee on Crime Problems of the Council of Europe regarding the measures for eliminating money laundering; GRECO reports in relation to fighting corruption; the reports of the Committee of Experts on Terrorism in relation to the incrimination of terrorism; the reports of the United Nations Centre for International Crime Prevention, regarding economic and financial crime; the Second Protocol to the Convention for Protection of the Financial Interests of the European Union from 1997; the OECD Convention for Prevention of Corruption of Foreign Officials in the International Transactions; etc.

The amendments to the **Law on Criminal Procedure** from 2004 provided for the approximation of domestic legislation to the European acquis, other international conventions and recommendations from the reports on the Republic of Macedonia (UN Convention against Transnational Organised Crime; the European Convention on Human Rights; The Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime; the Criminal Law Convention for Corruption; the Convention on Cyber Crime; The European Convention on the Transfer of Sentenced Persons, with the Protocol; GRECO Recommendations; The Council of Europe Guidelines on human rights and the fight against terrorism; the Recommendations of the European Committee for Prevention of Torture and Inhuman or Degrading Treatment or Punishment). For the purpose of acceleration of the procedure, the Law provides for short terms for adoption of decisions and for undertaking process activities. In addition, the summoning system was improved in order to prevent against unnecessary delays of the procedure. Special investigative measures enabling data and evidence collection, necessary for successful conducting of the procedure and the role of the public prosecutor and the investigative judge in the procedure was also strengthened. New solutions have been prescribed for broadening the measures for securing presence of the defendant during the procedure and solutions on detention and its duration have been determined in details, according to the severity of the criminal acts. The provisions regarding the protection of witnesses, collaborators of justice and victims and the grounds for procedural and extra-judicial protection and the opportunity to use modern audio and visual equipment are a novelty. Provisions for temporary seizure and confiscation of assets or property related to the criminal act were introduced. In order to simplify and accelerate the procedure in the case of criminal acts for which the prescribed punishment is not so severe, the Law includes special chapters which deal with the deliverance of a verdict without conducting a main hearing. The procedure against legal persons has been developed for the first time, taking into consideration the amendments to the Criminal Code. The procedure for application of the measure for confiscation of property and proceeds from crime has also been developed.

The adoption of the new **Law on Litigation Procedure** in 2005 (applied from 29 December 2005) resulted from the need of further upgrade of the normative decisions of the litigation procedure and development of more adequate legal mechanisms which will enable faster and more efficient action of the courts in the disputes from the personal, family, labour, property and other civil legal relations, thus, faster legal resolution of the disputes between legal subjects creating greater legal security in that area. The new amendments have clearly positioned the courts and the parties in the procedure. The principle of material truth in litigation

procedure was revised, which means that the burden of proof is the sole responsibility of the parties in the procedure, and not of the court. The principle of concentration in the procedure was strengthened, providing for mandatory activities to be undertaken by the court and the parties in the exactly determined phases and terms during the procedure. A new normative solution was introduced according to which new facts and evidence cannot be presented in a procedure upon appeal. Fines were prescribed for the abuse of the judicial authorisations by the parties in the procedure. Short deadlines were prescribed for decision making and undertaking certain procedural activities and the summoning solutions were improved. The concept of state of rest of the procedure has been abolished, as one of the reasons for extension of the duration of the procedure. Two new verdicts have been introduced: verdict regarding non-submission of a response to a lawsuit and verdict without holding a hearing; there is also an opportunity to repeat a litigation procedure completed with effective verdict upon a decision from the European Court of Human Rights, which determines violation of the fundamental human rights and freedoms. The Law on Litigation Procedure is in compliance with the EU standards (See Annex Legislation and harmonisation with EU measures).

The basic reason for the adoption of a new **Law on Enforcement** in 2005 (applied from 26 May 2006) was to eliminate the reasons for delay of the process for enforcement of court verdicts in civil cases as well as enforcement of decisions passed in administrative procedure regarding fulfilment of financial obligation. The objective is increased enforcement efficiency, which could be accomplished by introducing the concept of Enforcement agent – a person that performs public authorisations and conducts the enforcement outside the court due to realisation of the already determined civil rights by courts and administrative bodies, in litigation or administrative procedures. The Law on Enforcement is not introducing another procedure, but it represents enforcement of the already adopted court decisions. The concept of courts enforcing their decisions shall no longer be applied. When the period for voluntary fulfilment of the obligation from the adopted effective court decision and the final administrative decision has expired, the decision becomes executive document given by the creditor to an enforcement agent of his own choice, who enforces the same in a manner he/she considers most adequate. Among the enforcement actions taken by the enforcement agent, there is a revolutionary possibility to deliver the summons, as well as to conduct identification of the parties and participants in the enforcement. The Law has removed the possibility to delay enforcement as a result of filed objections and appeals by the debtor, taking into consideration that the debtor must be provided with protection in case of irregularities in enforcement. Namely, the debtor may file an objection only for irregularities during enforcement, unlike the previous possibility for disputing the execution document. A novelty is also envisaged in the provisions that apply to the special provisions for enforcement over the property of legal persons, due to collection of monetary claim – it is prescribed that the enforcement should be conducted from all available means of the debtor, contrary to the situation so far, when it the enforcement was done only from the debtor's account. The Statute and the Working Programme of the Chamber of Enforcement Agents and the Rules of Procedures of enforcement agents have been adopted. The Law on Enforcement is in compliance with the EU standards (See Annex Legislation and harmonisation with EU measures).

The **Law on Misdemeanours** adopted in June 2006 regulates the constitutional provision according to which for certain misdemeanours determined by law, a state administration body or other body with public authorisations may initiate misdemeanour procedure and pass sanctions, exclusively over monitoring of the implementation of the laws that determine the misdemeanours. Having into consideration that the administrative bodies, in their actions, apply specific administrative procedures, the Law shall incorporate a provision to allow prescribing different misdemeanour procedure for certain misdemeanour with special laws. In this way, a certain typical administrative misdemeanours under court competence are exempted in order to decrease the number of unsolved misdemeanour cases in courts. Furthermore, in line with the modern trend in the penitentiary reform, a new system of sanctions has been proposed and considering the lesser social significance of misdemeanours – the fine is prescribed as a main sanction, and imprisonment shall be cancelled. A significant novelty is also the establishment of misdemeanours for legal persons, taking into account the new forms of misdemeanours in the field of economy. The Law on Administrative Disputes adopted in June 2006 has changed the concept that administrative acts could only be subject to court review done by the Supreme Court. The main problem was inefficiency in deciding such cases, where according to statistical indicators, it took about two years or more from the period of taking legal action on administrative dispute in front of the Supreme Court to the commencement of its resolving. This Law ensured establishment of Administrative court, which will decide the administrative disputes upon administrative acts of state administrative body or other administrative organisation with public term of offices, thus releasing the operation of the Supreme Court in relation to this type of cases. This decision will ensure diligence, efficiency and cost effectiveness of the administrative dispute procedure.

The **Law on Mediation** adopted in 2006 regulates the rules of mediation procedure as an alternative manner for settlement of disputes. The Law on Mediation provides better access to justice, reduction of court cases and fast and efficient alternative settlement of disputes (cost effectiveness). The Law applies to civil, trade, employment, consumption and other disputes between natural and legal persons. The Law on Mediation is harmonised with the Commission Recommendation (31998H0257) of 30 March 1998 on the principles applicable to the bodies responsible for out-of-court settlement of consumer disputes, the Commission Recommendation (32001H0310) of 4 April 2001 on the principles for out-of-court bodies involved in the consensual resolution of consumer disputes, UNCITRAL Model Law and the Resolution 35/52, adopted by the General Assembly on 4 December 1980 and the 35/53 Conciliation Rules of the United Nations Commission on International Trade Law. Programme for selection and training of mediators, Code of Ethics for mediators and Statute of the Chamber of Mediators have been adopted.

The **Law on Execution of Sanctions** adopted in December 2005 regulates the execution of sanctions for crimes and misdemeanours such as penalties, alternative measures, security measures and educational measures. The reform of the penitentiary system is approached for the purpose of improvement of the conditions in the penitentiary institutions and more efficient execution of sanctions in compliance with the international standards. The activities concerning the execution of sanctions are in the competence of the Directorate for Execution of Sanctions, which has the capacity of a legal person. This Law provides for establishment of another penitentiary institution of closed and semi-open type, in order to ease the burden of the detention and prison capacity as well as creation of organisational and functional conditions for establishment of a hospital for treatment of imprisoned population. The Law provides legal basis for the training Centre for the employees of the penitentiary institutions, necessitating provision of financial and staffing conditions for its permanent functioning. The Law provides for practical implementation of the alternative measures prescribed in the Criminal Code (cooperation with other state bodies has been ensured with the establishment of the Department for enforcement of alternative measures within the Directorate for Execution of Sanctions). The Law has been harmonised with the European prison rules – Recommendation No. R(87) of the Council of Europe Committee of Ministers, the European Convention for the prevention of torture and inhuman or degrading treatment or punishment and Protocols No. 1 and 2 (ratified in 1997), the European Convention for protection of Human Rights, and the UN Standard Minimum Rules for the Treatment of Prisoners (1955).

According to the Constitution, the bar is defined as an autonomous and independent public service providing legal aid and executing public authorisation in accordance to law. The bar is regulated with the **Law on the Bar** adopted in 2002. The amendments of the Law from 2006 regulate the obligation regarding the mandatory training for attorneys, introduction of bar exam, the responsibility of attorneys regarding abuse of authorisations and protection of the rights of parties in court through remuneration of damages done by attorneys as well as the possibility for attorneys from EU Member States to perform their activities on the territory of the Republic of Macedonia, following Republic of Macedonia's accession to the EU (transitional provision).

The public service for notary activities in the Republic of Macedonia was introduced upon the adoption of the **Law on Performing Notary Activities** in 1996, and the first notaries were appointed in 1998. The introduction of the notary service as autonomous, expert, impartial and independent public service has had positive effect on release of the courts in the part of undisputed cases transferred in the competence of the notaries. Furthermore, legal security has increased by the acknowledgement of notary documents having capacity of public documents.

The matter concerning legal protection of property rights and interests in the Republic of Macedonia as well as the institutional form of the body authorised for provision of such protection is regulated by the Law on the Public Attorney's Office from 1997, which regulates the organisation, competences, conditions and the procedure of appointment and dismissal of the Public Attorney and his/her deputies. The Public Attorney's Office of the Republic of Macedonia is organised as service of the Government of the Republic of Macedonia, taking certain measures under law and legal means intended for protection of the property rights and interests of the Republic of Macedonia. The Public Attorney's Office represents the Republic of Macedonia and its authorities in courts, other bodies and legal persons and in foreign courts and foreign authorities in property and legal disputes with foreign natural and legal persons.

## **INSTITUTIONAL FRAMEWORK**

Jurisdictional institutions are burdened with personnel, financial and other problems which directly limit their capacity to act, and indirectly limit the efficiency of the action of the judicial institutions.

**The Ministry of Justice** - performs functions related to: the judiciary, public prosecutor's office and public attorney's office; state administration; criminal liability and liability for misdemeanours; notary activities, the bar and other types of legal aid; inheritance, ownership, property rights and obligations; international legal aid; execution of sanctions regarding criminal acts and misdemeanours; organisation and management of penitentiary and correctional institutions; amnesty and pardon; expert testimony, court expertise; the election system, keeping records of the right to vote; criminal, misdemeanour, litigation and non-contentious procedure, enforcement, and administrative procedure; administrative inspection.

**The Judicial Council of the Republic of Macedonia** is an autonomous and independent body of the judiciary, which provides and guarantees the autonomy and independence of the judicial authority through accomplishing its functions pursuant to the Constitution and the laws. The Judicial Council is competent for: appointment and dismissal of judges; termination of the function as a judge; appointment and dismissal of the presidents of courts; monitoring and evaluation of the judges' operation; deciding upon disciplinary liability of judges; deciding regarding removal of the immunity status of judges; deciding upon approving custody for a judge, deciding upon temporary dismissal of a judge of his/her duty; determination of the number of necessary judge vacancies in courts; review and assessment of quarterly and annual reports on the operation of courts; action upon complaints and appeals of the citizens and legal persons on the operation of the judges and courts. According to the constitutional amendments and the new Law, the first direct and secret elections of the members of the Judicial Council from the rank of judges

were conducted in November, and eight judges were elected as for members of this body. The new Judicial Council has commenced with operation and its President and Vice-President have been elected.

The **basic courts, appellate courts, the Administrative Court and the Supreme Court of the Republic of Macedonia** have the judicial authority in the country's judicial system. At the moment, all courts in the Republic of Macedonia, in accordance with the Court Election Directory employ a total of 624 judges.

**The Supreme Court** - the highest court in the country, which ensures uniform application of the laws by the courts. It is competent for deciding in second instance on its Chambers' rulings pursuant to law; deciding in third and final instance upon appeals on appellate courts' rulings; deciding in Administrative Court's rulings brought in second instances in cases provided for in law; judging upon extra-legal remedies against final court judgments and rulings of its Chambers pursuant to law; judging upon conflicts of competence between basic courts falling under jurisdiction of different appellate courts, between appellate courts and basic courts and between different appellate courts and deciding upon handing over the territorial jurisdiction from one court to another; deciding upon requests submitted by the parties and other actors in the procedure in breach of the law concerning reasonable timescale of lawsuits, in procedure before the courts provided for in law.

**Appellate Courts** – are second instance courts. They are competent to decide upon appeals on rulings of basic courts. Besides this primary prerogative, appellate courts are empowered to decide in conflicts of competence between basic courts falling under their jurisdiction and to perform other duties determined by law. They are established in the area of several basic courts (at the moment there are 4 such courts: Skopje, Stip, Bitola and Gostivar).

**Basic Courts** are established for one or more municipalities for an area determined by Law. There are 27 basic courts in the Republic of Macedonia. According to the actual jurisdiction, they are empowered to decide upon first instance and are established as courts with basic and extended jurisdiction. Within the frame of the basic courts with extended jurisdiction, specialised court departments are set up acting upon certain types of cases. Basic courts may establish court units. Five basic courts have established specialised judicial units competent for cases in the field of organised crime. The Basic Court Skopje I has been determined as solely criminal court, whereas the Basic Court Skopje II solely as civil court.

**Administrative Court** – for the purpose of ensuring court protection of the rights and legal interests of natural and legal persons and for ensuring legality, the Administrative Court, with regard to administrative disputes shall decide upon the legality of the acts of state administrative bodies, the Government, other state bodies, municipalities and the City of Skopje, organisations determined by law and legal and other persons in their performance of public authorisation (holders of public positions), who decide upon the rights and responsibilities of certain administrative affairs as well as on acts adopted in misdemeanour procedure. This court has not been established yet.

**The Public Prosecutor's Office** – is sole and autonomous state authority which prosecutes the perpetrators of criminal and other punishable acts as determined by law. According to the constitutional amendments, the function of the Public Prosecutor's Office is enforced by the Public Prosecutor of the Republic of Macedonia and the public prosecutors. The Public Prosecutor of the Republic of Macedonia shall be appointed and dismissed by the Assembly of the Republic of Macedonia for a six year term of office and a right to re-appointment. The public prosecutors shall be elected by the Public Prosecutor's Council without limitation to term of office duration. Pursuant to the existing law on the areas of first-instance courts, 22 basic public prosecutor's offices have been established. For the area of second instance courts, three higher prosecutor's offices have been established. The Public Prosecutor's Office of the Republic of Macedonia (PPO) is established for the whole territory of the Republic of Macedonia and its seat is in Skopje. Public prosecutors have their deputies without limitation of term of office duration.

**The Academy for Training of Judges and Prosecutors** as a public institution has a function of public interest and capacity of legal person. It carries out selection, organisation and implementation of initial training for the candidates for judges and prosecutors in basic courts, i.e. basic public prosecutor's offices and permanent professional training of judges and prosecutors and of court and public prosecutor's clerks. (it also encompasses training for the administration in the court, public prosecutor's office and the Ministry of Justice). The Academy is entirely operational – premises, equipment and budget funds have been provided. The Managing Board has been established with a Director and Executive Director appointed. Including 2006, the Academy has 6 employees, who according to the Law, were transferred from the Centre for Continuous Education.

**Enforcement agents** are persons performing public authorisations laid down by law, directly deciding on actions to be taken in the frame of their authorisation in order to enforce executive decision and take enforcement actions. They are appointed for the areas of the basic courts and undertake the enforcement of executive documents of the court or the body on the area they are appointed to. So far, 41 enforcement agents of the anticipated 69 have been appointed. Furthermore, training for the appointed enforcement agents have been carried out. They commenced working from 26 May 2006. The **Chamber of Enforcement Agents** has been established, with the capacity of a legal person and a President has been elected. Within the Ministry of Justice, the Sector for Supervision of the Operation of the Enforcement Agents and Notaries and Mediators is being established and is in staffing stage. In their first 6 months of operation, the enforcement agents have realised 1981 applications for enforcement of a

total of 4988 submitted applications. Until the end of November, the co-relation of realised against submitted applications for enforcement is 1981 - 4988. The total value of the enforcements is 14 million Euro.

**Lawyers and lawyers' associations** perform autonomous and independent public service solely providing and giving legal aid to natural and legal persons in the realisation and protection of their rights and legally founded interests in the procedures before courts, state bodies and other legal persons. They are free, autonomous and independent in their work, and autonomously decide on the manner of representation of the rights and interests of the party before court within the frame of the law, acts of the Chamber and their authorisations. **The Bar Chamber** – has the capacity of a legal person and within the scope of its operation, provides promotion of the bar as an independent and autonomous public service, efficient provision of legal aid and performance of public authorisations.

Notary Service/Notaries is an autonomous, expert, impartial and independent public service for performance of public authorisations, according to law, upon request of the citizens, state bodies, legal persons and other concerned institutions. In 1998, the Notary Chamber was established and 130 notaries take active part therein.

**Mediators** are natural persons assisting the parties to reach an agreement, without any right to impose settlement of the dispute according to the principles of mediation. In 2006, 60 mediators who completed initial training were appointed. The **Mediators Chamber** was established with the capacity of a legal person. The first Mediation Centre was opened in Skopje. It is expected that by undertaking these activities, out-of-court settlement of disputes is stimulated; thus releasing the courts from a large number of cases.

The **Penitentiary system** in the Republic of Macedonia is positioned in a horizontal and vertical connection, as a sole and closed system of penitentiary and correctional institutions. In this system, the execution of sanctions is in competence of the **Directorate for Execution of Sanctions**, with the capacity of a legal person, managed by a Director. The sentence of imprisonment and the educational - correctional measure remitting to educational-correctional institution is done in penitentiary-correctional or educational-correctional institutions, which have the capacity of a legal person. The penitentiary and correctional institution may be penitentiary-correctional institution homes or prisons, and according to the level of security, they are divided into penitentiary and correctional institution of open, semi-open and closed type. Currently in the Republic of Macedonia, 8 penitentiary-correctional and 2 educational-correctional institutions are operational, employing a total of 509 persons. The adaptation of the second wing of the penitentiary institution Idrizovo was completed, and suitable premises are provided for location of the **Training centre for the employees in the penitentiary institutions**. Project ideas have been drafted for adaptation of the penitentiary institutions in Stip and Kumanovo.

The ICT Sector (**information and communication technology**) within the Ministry of Justice has been established, where the Center for Information Technology will be operating (premises are provided, adapted and equipped). For the needs of the ICT Sector, the Government of the Republic of Macedonia has provided funds for employment of 12 new officers. In 2006, for the needs of the judicial institutions in the Republic of Macedonia, 500 computers, 240 printers, 50 network printers and 10 servers were procured. Furthermore, an IP WNP Network (WAN connection) was installed in 74 institutions of the judiciary system of the Republic of Macedonia on 50 different locations. This is a unique network in this region. To this end, software applications for the Judicial Council of the Republic of Macedonia, public prosecutor's offices and penitentiary and correctional institutions have been developed as well as LDBIS software application (legal database for which software application has been developed, with the issue of base editing remaining to be solved). These activities have been supported by EC/CARDS 2003 funds.

## STRATEGIC DOCUMENTS

**The Judicial Reform Strategy with an Action Plan** was adopted in November 2004. The Strategy is divided into two segments referring to: the Judicial System and the Public Prosecutor's Office. The Strategy is supplemented with Annexes that contain the basic planned reform activities in the Penitentiary system, Public Attorney's Office, the Bar and the Notary Service. The main objective is strengthening the independence and impartiality of the judiciary and increasing its efficiency.

**The Strategic Plan of the Ministry of Justice** is a project document of the most important activities and steps for their implementation in the area covered by the competences of the Ministry of Justice for the period 2006-2008.

**The Strategy for Information and Communication Technology in the Judiciary** is a project document for introducing information technology in the judiciary for the period 2007-2010 (a draft version has been completed).

The future reform in penitentiary legislation shall be performed in accordance with the guidelines to be laid down in the **Penitentiary Legislation Reform Strategy** which will be drafted during 2007. This document will emphasise the further approximation of the Criminal Code and the Law on Criminal Procedure with the international standards.

## SHORT-TERM PRIORITIES

### LEGISLATION

During 2007 adoption of the remaining laws provided for in the Strategy and Action Plan has been anticipated as well as amending a part of the newly adopted reform laws for their successful implementation.

For the purpose of completing of the legislative part of the Strategy and the Action Plan, adoption of the following laws and bylaws has been envisaged:

- **Law on the Public Prosecutor's Office** – shall regulate competence, establishment, cancelling, organisation and operation of the public prosecutor's offices pursuant to the constitutional amendments. It is anticipated to strengthen the competences of the Public Prosecutor in pre-investigation and investigation procedures, and in taking measures for detection and prosecution of perpetrators of criminal acts in the field of organised crime and corruption as well as the competences of the Public Prosecutor related to other competent bodies in relation to management and coordination of the authorised officials in the Ministry of Interior and other bodies;
- **Law on the Public Prosecutor's Council** – shall regulate the competence, composition, structure, term of office of the members, as well as the procedure for appointment, termination of the function and dismissal of the public prosecutors;
- **Court Rules of Procedure** - shall regulate the internal organisation of the courts and introduction of novelties for improvement of case management, taking into consideration that it regulates the manner of operation of the courts; maintenance of the records and other books, administration and keeping of documents and forms, operation upon international legal aid and way to handle complaints and appeals; distribution of juror judges, work procedures for the existing court translators, interpreters and experts; maintenance of statistical information; and professional training of human resources.
- **Law on the Bar** - harmonisation with the Directives 98/5/EC and 77/249/EEC that regulate the exercise by lawyers in a different Member State from the State where the qualification is obtained, and provision of bar services by foreign lawyers and bar associations. It is anticipated that the Bar Chamber adopt the Code of Ethics and the Programme on compulsory continuous education of lawyers.
- **Law on Performing Notary Activities**– shall further regulate the exercise of public authorisations of the notaries; strengthen the supervision and disciplinary responsibility of the notaries.
- **Law on the Judges' Salary** – the newest international standards on the status and position of judges in the function of strengthening their independence and efficiency, quality and timely resolution of the cases shall be incorporated in the Law;
- **Law on the Public Attorney's Office** – shall strengthen the status of the Public Attorney's Office for the purpose of protection of property rights and state interests;
- **Law on Performing the Judicial Service** – shall regulate the matter related to the performance of the judicial service and the position of court officers;
- **Law on Court Budget** – shall strengthen judiciary funding related to management of the Court Budget funds;
- **Law on Securing the Claims** – shall ensure legal security in the civil area;
- **Law on non-contentious procedure** – harmonisation with the Constitution of the Republic of Macedonia and a possibility for transfer of non-contentious proceedings and other public services with the purpose of releasing the courts from their burden;
- **Amendments to the Criminal Code** – further harmonisation with international and European legislation regarding the trafficking in human beings
- **Amendments to the Law on criminal procedure** – for harmonisation with international and European legislation in relation with protection of juvenile witnesses in the procedure.
- **Bylaws of the Judicial Council** – Rules of Procedure of the Judicial Council; Rulebook on the Judges Disciplinary Liability Procedure; Rulebook on internal organisation of the court service of the Judicial Council; Rulebook on the systematisation of the court service of the Judicial Council; Rulebook on the procedure and manner of determining incompetent and unconscious performance of the judicial function; Rulebook on taking action and determining the permanent inability to perform judicial function; Rulebook on the form and contents of the form and the procedure for issuing and revoking the judge identification card.

Following the commencement of the application of the reform laws in 2006, the need to further precise and perfect certain provisions referred to in the laws emerged, in order to improve their implementation. For that purpose, subject to amending shall be the following: the Law on Academy for Training of Judges and Prosecutors, Law on Courts, Law on the Judicial Council of the Republic of Macedonia, Law on Enforcement and Law on Mediation.

**Bylaws of the Academy for Judges and Prosecutors** – the following rulebooks will be adopted: Rulebook on the manner of selection, the rights and responsibilities of educators and mentors (members of the commissions), including the right to a compensation on the work completed and compensation for the expenses related to the training preparation and performance; Application form for submission to the open call for candidates; Rulebook on the manner and procedure for administering and evaluating the qualification test; Rulebook on the manner and procedure of administering and evaluating the entrance exam; Rulebook on the contents and manner of administering and evaluating the final exam; Rulebook on the commencement, course and development of the order and discipline, disciplinary liability and other rights and responsibilities of the candidates relating to the initial training in the Academy; Rulebook on keeping and holding records and issuing certificates to the beneficiaries of the Academy services.

For the purpose of the initial training carried out by the Academy, adoption of the following programmes has been anticipated: Programme for Taking the Entrance Exam; Programme for the Initial Training; Programme for the Final Exam; Programme for



Permanent Professional Training; Programme for Expressing Appropriate and Equitable Representation of the Citizens Belonging to All Communities in the Republic of Macedonia; Programme for Preliminary Teaching for Enrolment on the Academy.

Regarding the implementation of the **amended concept of judicial protection from the administrative acts** of the executive authority, adoption of the following acts has been anticipated – Guidelines for the manner of handover of the cases from the Supreme Court of the Republic of Macedonia, **Law on Complaints and Appeals**; amendments to the **Law on Administrative Inspection**; Rulebook on the methodology concerning the manner of acting of the administrative inspection and implementation of – Analysis on implementation of the Law on Administrative Disputes and Analysis on the operation of the Commissions of the Government of the Republic of Macedonia for resolving administrative dispute in second instance concerning certain administrative areas for the period January-December 2007.

Until June 2007, all laws prescribing misdemeanour sanctions for the purpose of legal regulation of the constitutional provision according to which for certain misdemeanours determined by law, a state administrative body or other body with public authorisations may initiate misdemeanour procedure and pronounce sanctions as well as adjustment with the novelties of the Law on Misdemeanours shall be amended. The Rulebook on the expenses for the misdemeanour procedure and the Rulebook on keeping records and on the form of the application form for keeping records of misdemeanour cases will be adopted. Therefore, it is envisaged to align all laws<sup>18</sup> that contain misdemeanour sanctions and are under the authority of the Ministry of Interior with the Law on Misdemeanours no later than May 2007.

Following the adoption of the reform laws in 2006, their application in practice is pending in the course of 2007, as well as preparation of an **Analysis for Implementation of the Laws in the Field of Judiciary**.

## INSTITUTIONS

According to the new **Law on Courts** establishment of 5 specialised units for the fight against organised crime and corruption with extended competence has been anticipated within the basic courts. Moreover, Appellate Court in Gostivar and an Administrative Court will be established.

Regarding the provision of appropriate infrastructure for realisation of the changes within the framework of judicial organisation during 2007, a Feasibility Study and Project for construction of a new court building in Skopje will be drafted. Extension and equipping of the premises of the Judicial Council of the Republic of Macedonia will be carried out as well as drafting of projects for reconstruction and modernisation of 11 courts with extended competence (construction works, furniture and equipment). The funds have been provided through the World Bank LJIS Project (loan).

Further constitution of the bodies of the **Academy for Training of Judges and Prosecutors**: Programme Council, Commission for Qualification and Enrolment of Candidates, Commission for Final Exam and a List of Educators will be established. A set of 30 training courses on different subjects have been prepared as follows: ethics of court administration, services, management of the disputes duration, management of the flow of cases, security in courts and in the public prosecutor's offices and training of the new appointed judges and public prosecutors funded by USAID/DPK. Courses in English and French language will be organised for the judges of the Supreme Court of the Republic of Macedonia, Appellate Court Skopje and the Courts of First Instance 1 and 2 in Skopje, with the assistance of the OPTAD Programme. Computer courses will be organised for the judges, public prosecutors and associates in the court and public prosecutor's offices as well as seminars on financial law, with the assistance of the European Commission Twinning Project on Competition Law and Competition Policy.

The Assembly of the Republic of Macedonia is to elect 5 members of the Judicial Council of the Republic of Macedonia (three members upon a proposal from the competent Commission within the Assembly and 2 upon a proposal made by the President of the Republic of Macedonia) thereby the Judicial Council will obtain its full composition. The Judicial Council will decide on the number of judges in the courts of the Republic of Macedonia.

Following the adoption of the Law on the Public Prosecutor's Council and the Law on the Public Prosecutor's Office, the **Public Prosecutor's Council** will commence its establishment with modified and strengthened competitions in particular with a view to the selection of prosecutors.

In the first half of 2007, establishment of a Mediation Centre in Gostivar is expected, and following the approval of additional funds two more Centres will be opened.

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<sup>18</sup> Law on Weapons, Law on State Border Surveillance, Law on Travel Documents of the Citizens of the Republic of Macedonia, Law on identification Card, Law on Personal Registration Records, Law on Personal Name, Law on Reporting of Dwellings and Residence of the Citizens, Law on Road Traffic Safety, Law on Misdemeanours against Public Order and Peace, Fire Protection Law, Law on Foreigners, Law on Asylum and Temporary Protection, Law on Exclusive Rights of Members of the Security Forces of the Republic of Macedonia Members of their Families, Law on Protection of People and Property, Law on Detective Activity, Law on Public Gatherings, Law on Storage and Protection from Inflammable Liquids and Gas, Law on Protection from Explosive Materials and the Law on Trade in Explosive Materials.

It is necessary to strengthen the capacity of the **Public Attorney's Office**. Further staffing and creation of its web page will be performed.

For the purpose of reconstruction and strengthening of the capacity of the **penitentiary system of the Republic of Macedonia**, the facilities of the penitentiary institutions in Stip, Kumanovo and Strumica will be adjusted. Project ideas have been drafted for the penitentiary institutions in Stip and Kumanovo, of which the penitentiary institution in Stip (without the open unit) will be funded by EC/CARDS 2006 and the activities are to begin in August 2007. Construction of the part of the facilities of the penitentiary institution in Kumanovo is to commence in the second quarter of 2007 and will be funded by the Budget of the Republic of Macedonia. Additional funds will be provided for the construction of the prison in Strumica. The relocation of the juvenile prison from Ohrid to Prilep will be completed following the adaptation concerning fence wall and reconstruction of the sewage system in the prison in Prilep. These activities will be funded by the EC/CARDS 2006 Programme. The adaptation and rebuilding of the supporting facilities in the penitentiary institution Idrizovo are in preparation stage and funded by EC/CARDS 2006. Training for the personnel will be conducted within the Training Centre and educational programmes and lecturers will be provided (training has been already conducted for the staff in the re-educational service).

For the purpose of introducing the information technology in judiciary, Unit for LDBIS Documentation (Legal Database in Judiciary) will be established within the **Supreme Court of the Republic of Macedonia**. For the purpose of **implementation of the Strategy for Information and Communication Technology for Judiciary**, the following activities will be realised:

- Provision of ICT staff for the Ministry of Justice and the courts of the Republic of Macedonia and their permanent training;
- Support to the ICT Centre of the Ministry of Justice;
- Access to the legal database;
- Dimensioning of the system for e-mail and installation of Internet in all courts of the Republic of Macedonia;
- Supply of hardware and software and maintenance of the ICT in the judiciary;
- Protection of WAN - wide area network and development of the application for control of internet protocols;

## **MEDIUM-TERM PRIORITIES**

### **LEGISLATION**

Medium-term priorities will be focused to full implementation of the adopted legal and institutional measures referred to in the Judicial Reform Strategy and Action Plan as well as to the evaluation of their implementation. Immediate objective will be accomplishment of measurable results in the promotion of functioning of the judiciary. In practice, it means evaluation of the effects from the adoption of:

- **Law on Enforcement and Law on Litigation Procedure** – indicators of success will be reducing the time for deliverance of a verdict, increasing the rate of enforcement of judgements, introducing an efficient summoning system;
- **Law on Courts, Court Rules of Procedure, Law on the Judges' Salary** – indicators of success will be specialisation of courts, reduction of the backlog of cases, court procedure in a reasonable time period, improvement of the management of cases, efficient, quality and timely resolving of cases;
- **Law on Administrative Disputes** – indicators of success will be: reduction of the backlog of court cases; enhancement of the efficiency concerning resolving administrative disputes by the specialised Administrative Court (the cases in administrative disputes will be taken from the Supreme Court);
- **Law on Misdemeanours** – indicators of success will be reduction of the flow of new misdemeanour cases in the courts and efficiency of the misdemeanour procedure;
- **Law on Mediation** – indicators of success will be better access to the justice, reduction of the backlog of cases, fast and efficient alternative resolution of the cases (cost effectiveness).

With regard to simplifying the administrative procedure and reducing the period for action, amendments to the Law on General Administrative Procedure will be adopted. Furthermore, Guidelines on the forms in the administrative procedure will be adopted.

For the purpose of improving the efficiency and the cost effectiveness of the procedures, **the criteria and conditions for court expertise** will be legally regulated.

The functioning of judiciary institutions will be assessed on the basis of the results from the **evaluation of the application of the laws** in the field of judiciary. Reports will be prepared defining the needs and directions for amending the reform laws.

For the purpose of monitoring the effects from the implementation of the laws (Law on Litigation Procedure, Law on Courts and Law on Misdemeanours, Law on Execution of Sanctions etc.) and obtaining measurable results, the Ministry of Justice and the judicial institutions in cooperation with the State Statistical Office will improve the **system for keeping statistics in courts**. Unique and uniform statistical system for keeping records of the cases in courts compatible for drafting analyses concerning efficiency of the judiciary in all its areas.

In accordance with the guidelines for establishing an efficient criminal and legal system as laid down in the **Judicial Reform Strategy** emphasis will be placed upon the further harmonisation of the Criminal Code and the Law on Criminal Procedure with international standards. In that direction, the following are anticipated:

- Amendments to the **Law on Criminal Procedure** aimed at harmonisation with the new Law on the Public Prosecutor's Office and already ratified international conventions. The need for amending this Law accrues from the revealed weaknesses in the area of investigation, compensation for damage to unjustifiably convicted persons or unjustifiably deprived persons, procedure measures for protection of witnesses and the need for harmonisation with the newest international standards.
- Amendment to the **Criminal Code** in relation to confiscation of property and proceeds, criminal liability of legal persons, defining organised crime and commercial crime, the cyber crime, precise defining of the international obligations of the Republic of Macedonia and harmonisation of our penal legislation with the international standards (harmonisation with the Council of Europe Criminal Law Convention on Corruption) directed to establishing liability of legal persons concerning unlawful intermediation.
- New **Decision on Classification of Crimes** will be adopted.
- According to the **Criminal Code** the criminal record will be transferred from the Ministry of Interior to the courts.

## INSTITUTIONS

As a medium-term priority, according to the activities anticipated by the Legal and Judicial Implementation and Institutional Support Project –LJIS, construction and equipping of the new court building in Skopje has been foreseen, intended for provision of complete operationalisation and implementation of the Law on Courts. Reconstruction and modernisation of 11 courts with extended competences have been anticipated. The rest of the courts which are in need of reconstruction will be selected by the Ministry of Justice in cooperation with the Supreme Court (Administrative Office for Court Budget).

In order to reduce the duration of the procedures, respect of the principle for reasonable time period of court procedures and increasing the efficiency in performing judicial function, a **mechanism for supervision of the operation of judges** in terms of untimely, unprofessional and unconscientiously performance of their function will be established within the Judicial Council of the Republic of Macedonia.

With regard to establishing **efficient system for enforcement of judgments in civil matters and an efficient notary system**, connection of the IT system between the enforcement agents and the Ministry of Justice and for carrying out continuous training for the personnel in the organisational structure in the Ministry of Justice has been anticipated as a medium-term priority, responsible for control and supervision of the operation of the enforcement agents and notaries.

Increasing the number of the holders of the public attorney function and procurement of technical equipment within the **Public Attorney's Office** is planned for the following period. Compulsory education and training for the holders of the public attorney function will be introduced and realised through a special programme within the Academy for Training of Judges and Prosecutors. In order to strengthen the capacity of this institution, network connection will be established in all areas of the Public Attorney's Office and additional technical equipment will be supplied for the purpose.

Following the completion of the initial training carried out in the course of 2007, the Judicial Council will select the first generation of judges from the list of candidates who have successfully completed the initial training in the Academy.

**The Academy for Training of Judges and Prosecutors** will complete the process of staffing and strengthening the administrative capacities. A strategy for managing the Academy Budget will be drafted and implemented for the purpose of strengthening the Academy's capacity, including analysis for the infrastructure, furniture, computer equipment and premises for distant learning requirements. Academy internal IT system, organisation of legal investigation and Section for Documentation and Library will be designed and introduced as well as realisation of study visits to relevant centres for judiciary training in Europe for the Academy personnel.

Taking into consideration the adoption of the Law on the Public Prosecutor's Office and the amendments to the Law on Criminal Procedure anticipated for 2007 as a medium-term priority, it is planned to strengthen the capacities of the Public Prosecutor's Office for the purpose of performing the new competences and fighting the organised and commercial crime.

The **Ministry of Justice** will resume its staffing and continuous training, seminars, study visits, round tables and other activities for the personnel intended for strengthening its institutional and administrative capacities.

With regard to the **reform of the penitentiary system**, as a medium-term priority it is foreseen to complete some of the commenced activities. The following are anticipated: completion of adaptation of the penitentiary institutions in Stip, Prilep and Idrizovo; construction and equipping of the facility for accommodation of a house - hospital and its start with operation; **construction of a semi-open type prison in Strumica**, construction of open unit in the penitentiary institution Stip, semi-open unit, open unit and third wing in the penitentiary institution Idrizovo and their staffing and equipping as well as provision of location and construction of a new facility for the educational and penitentiary institution in Tetovo; functional IT system between the Directorate for Execution of Sanctions (penitentiary institutions), the Ministry of Justice and other judicial institutions for the purpose of information exchange.

By the end of 2010 an integrated IT system of the judicial institutions is planned to be completely functional for the purpose of completing the **process for establishing an efficient and functional information technology in judicial institutions** (implemented Strategy for Information Technology in Judiciary). This will contribute to simplifying and accelerating the court

procedures and to more efficient management of court cases as well as electronic and more precise records keeping related to the inflow of new cases and the backlog of cases in each body, unit and individual employee. Concrete activities/requirements anticipate the following:

- Improvement of the Court Information system (CIS) and its introduction in the operation of all courts in the Republic of Macedonia,
- Upgrading (CIS) with management reports (statistics),
- Technical assistance for implementation of (CIS),
- Introduction of 'Document Management' System in the courts,
- Introduction of Human Recourse Management System,
- Assessment and improvement of the safety and security of ICT Systems in the judiciary,
- Expansion and maintenance of WAN - wide area network of the judiciary of the Republic of Macedonia,
- Construction of Judiciary Network Project,
- Development of software application for publishing information of public nature,
- Development and implementation of software application for case-management system for the Ministry of Justice,
- Development and implementation of software application for Active Directory System for the Ministry of Justice,
- Upgrading the software application in the Judicial Council of the Republic of Macedonia,
- Upgrading the software application in the public prosecutor's offices,
- Upgrading the software application in the Directorate for Execution of Sanctions,
- ICT equipment for the Training Centre for training of the personnel in the penitentiary institutions.

Part of the anticipated activities for introduction of IT in the judiciary will be supported by the World Bank LJIS Project (loan) and the grants from the Kingdom of Holland.

## FOREIGN ASSISTANCE

A number of project including foreign assistance are active for the purpose of support in realising the reforms in the judiciary system. Some of the most important are the following:

- **Project DPK/USAID – Court Modernisation Project** (8.500.000 USD, June 2002 – December 2005, extended until September 2007).
- **Project CARDS 2003 regional – Establishing of an Independent, Reliable and Functioning Judiciary and Enhancing of the Judicial Cooperation in the Western Balkans** (5.000.000 EUR, December 2004 - July 2007 )- the project is realised through four modules managed by 4 partners: 1) Module 1 – Independent Judiciary (Bulgaria); 2) Module 2 – Safe and functional Judiciary (Germany); 3) Module 3 – International and European Judicial cooperation (Slovenia); 4) Module 4 – Introduction of EU Legislation and the EU Judicial system (Italy). Within the frames of each of these modules the projection is to realise training, regional round tables, study visits and missions for technical assistance.
- **Project CARDS 2003 – Technical assistance for public administration reform– Judicial administration, composed in III phases** (2.300.000 EUR, September 2005 – December 2006) – is improvement and functional completion of the PHARE Project 2000, in order to complete the IT connection of the judicial bodies in the Republic of Macedonia. The same prescribes the following:
- **Alternative Dispute Resolution Project - The Private Enterprise Partnership for Southeast Europe, IFC (ADR PEP-SE) 2005-2008** – technical assistance for improvement of the access to justice, introducing mediation as alternative resolution of disputes.
- **Project CARDS 2004 –Technical assistance for support of the development of the Centre for continuous education of judges and prosecutors – phase II** (1.099.000 EUR, September 2006 – September 2008) - this project is continuation of the Project CARDS 2001 assistance for the establishment of the Institution for training of judges and prosecutors and its general objective is provision of technical assistance and support for the Academy for training and building its capacities for provision of he required services, as well as provision of its sustainability.
- **Project CARDS 2005 Twinning – Support to the Public Prosecutor's Office: Organised crime** (2007-2009, 1.400.000 EUR) - oriented towards strengthening the capacity of the Unit for Prosecution of Perpetrators of Criminal Acts in the Area of Organised Crime and Corruption within the Public Prosecutor's Office.
- **Project CARDS 2006 – Further implementation of the Judiciary Reform Strategy and the Action Plan** (planned 2.200.000 EUR) – oriented towards support of the development of the penitentiary system where technical assistance (or twinning) and a part for procurement and construction (reconstruction of prisons) is included.
- **Project: World Bank – Legal and Judicial Implementation and Institutional Support 2006-2011**, 12.000.000 EUR (loan with 16% participation from the Government). The purpose of the Project is to contribute to improvement of the judicial efficiency and effectiveness in the business climate in the Republic of Macedonia. The Project will support the establishment of new Judicial Council, administrative inspections and settlement of administrative disputes, improvement of the bankruptcy management, improvement of the court infrastructure, strengthening the court information and technological systems.
- **Memorandum for Cooperation and Understanding between the USAID Program for Human and Institutional Development, World Learning and the Ministry of Justice** – Implementation of a package of recommended

interventions arising from the analysis of the operation of the Ministry of Justice in June 2006 and Final Evaluation of the Operation of the Ministry of Justice which will be carried out following the guidelines for improvement of the operation and management in the Ministry, with the purpose of realisation of the general function of the Ministry of Justice – contribution to the society through transparent, efficient and effective operation in a service for citizens and by meeting the strategic priorities of the Government of the Republic of Macedonia.

### 3.23.2 ANTI-CORRUPTION POLICY (see also I Political Criteria)

#### CURRENT SITUATION

#### LEGAL FRAMEWORK

The Republic of Macedonia has ratified the following conventions referring to fight against corruption:

- Criminal Law Convention on Corruption (Council of Europe)
- The Additional Protocol to the Criminal Law Convention on Corruption
- Civil Law Convention Against Corruption (Council of Europe)
- Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime (Council of Europe)
- Convention against Trans-national Organised Crime (Palermo Convention) with its Protocols (UN);
- European Convention on Mutual Assistance in Criminal Matters and its Additional Protocol and the Second Additional Protocol to the European Convention for mutual legal assistance in Criminal matters (Council of Europe);

Republic of Macedonia has signed the UN Convention for Fight against Corruption in September 2005.

Republic of Macedonia is a member of the Group of States of the Council of Europe for fight against corruption (GRECO) since October 2000. The adoption of the constitutional amendments (7 December 2005) established the legal basis for fulfilment of the remaining recommendations of GRECO from the first round of evaluation, which are related to creating precisely determined conditions and procedures for appointment and dismissal of public prosecutors and judges, amendment of the national legislation in order to provide that the Government shall not decide upon the immunity of its members and curbing the list of persons for which immunity is provided. Namely, according to the amendments, the Public Prosecutor of the Republic of Macedonia is elected by the Assembly with a six-year term of office, whereas the remaining public prosecutors are elected by the Public Prosecutors Council with no limitation to the term of office. The election of judges by the Judicial Council (previously done by the Assembly) is stipulated in the new Law on Judicial Council and the Law on Courts. Furthermore, only the President of the Government enjoys immunity, decided by the Assembly, unlike the previous situation - when all ministers enjoyed immunity. Also, the sole holder of the right to immunity is the Public Prosecutor of the Republic of Macedonia.

**The Law on Prevention of Corruption** adopted in 2002 (amended in 2004 and 2006) provides for mechanisms for prevention of corruption. The Law provides the necessary legal preconditions for suppression of criminal acts related to corruption, raising the responsibility of holders of public positions and preventing various opportunities for abusing the position of holders of public functions for their personal, familial or group benefits. In particular, it contains measures and activities for: preventing of corruption in governance, public authorisations, official duty and in politics; prevention of conflict of interests; prevention of corruption in activities of public interest of legal persons; and for prevention of corruption in trade companies. The amendments to the **Law on Prevention of Corruption**, adopted in 2006, specified the procedure for election of members of the State Commission for Prevention of Corruption (SCPC). The Members of the SCPC have non-professional status and are elected by the Assembly with a five-year term of office. The obligation for the subjects to act upon the demands of the SCPC and to take responsibility in case of failure to act has been introduced, in order to implement the recommendations of the SCPC and to improve communication and cooperation between SCPC and other bodies. In addition, public availability of data on property is enabled by their publication of the web site of the SCPC.

With the adoption of the Law on Ratification of the **Civil Convention against Corruption**, according to Article 9 of this Convention, Republic of Macedonia has undertaken a commitment to provide, in its national legislation, appropriate protection against any unfounded sanction against employees disclosing acts of corruption. The **Law on Prevention of Corruption** contains numerous provisions serving to protect any citizen or official in the process of disclosing criminal acts (Articles 5, 18, 19, 20, 21 and 44). The **Law on Free Access to Public Information** contains a provision freeing from responsibility the public administration employee providing protected information, if it is crucial to the disclosure of abuse of public duty and corruptive behaviour.

The Law on Prevention of Corruption has been completely harmonised with the following EU legal acts: Convention drawn up on the basis of Article K.3 of the Treaty on European Union, on the protection of the European Communities' financial interests - 41995A1127(03); Convention drawn up on the basis of Article K.3 (2) (c) of the Treaty on European Union on the fight against corruption involving officials of the European Communities or officials of Member States of the European Union 41997A0625(01); Explanatory Report on the Convention on the fight against corruption involving officials of the European Communities or officials of Member States of the European Union – 41998Y1215(01); and Joint Action of 22 December 1998 adopted by the Council on the basis of Article K.3 of the Treaty on European Union, on corruption in the private sector - 31998F0742.

The penal and legal repression of the corruptive acts remains in the field of the penal legislation. The corruptive act is incriminated indirectly through the definition of several criminal acts sanctioned in the **Criminal Code**, such as active and passive bribery, unlawful intermediation, abuse of official position and public authorisations, concealing the resources of disproportionately acquired property. Apart from this, the Criminal Code determines the criminal liability of legal persons and the criminal and legal concept for confiscation of property and proceeds has been determined. The amendments of the **Law on Criminal Procedure** of 2004 introduced special investigative measures, improved the measures for securing presence of the defendant during the procedure, witness protection and protection of justice associates and victims, and regulated the procedure determining the liability of legal persons and the procedure regarding confiscation of property and proceeds.

The **Law on Interception of Communications**, adopted in 2006, ensures significant facilitation in proving of high-level cases of corruption. The Law regulates the conditions and procedures for communication interception, the manner of implementing, storage and utilisation of data acquired through its application, as well as control of the legality of communication interception.

The **Law on Money Laundering Prevention and Other Proceeds from Crime** adopted in 2004, prescriptively lays down the provision of a more efficient system of preventive measures and actions against money laundering. This Law also regulates the competencies and authorisations of the Directorate for Prevention of Money Laundering, the obligations of subjects responsible for carrying out measures and actions for prevention and disclosure of money laundering, of state bodies supervising the application of the measures and actions for prevention of money laundering and of the competent investigation bodies (See *Chapter 04. Free Movement of Capital*).

The **Law on the Public Prosecutor's Office**, adopted in 2004, regulates the procedure for efficient detection and prosecution of perpetrators of criminal acts related to organised crime and corruption.

The **Law on Financing of Political Parties**, adopted in 2004, created conditions for greater transparency, public responsibility, and accountability of the political parties. It enables greater insight and control over all competent bodies in the financial operation of the political parties. This Law regulates the issue regarding the manner and the procedure for provision of financial means, disposal of the operating assets and acting of the political party, as well as the manner of control of financing and the financial and material operation of the political parties. Chapter 2 of the Law on prevention of corruption aims at preventing corruption in politics, wherein several provisions refer to the financing of political parties and their election campaigns. The Electoral Code, also, contains a special chapter on election campaigns and their funding. The **Electoral Code** contains provisions for compulsory publication of financial reports from the election campaigns on the web site of the State Election Commission. If the State Audit Office finds irregularities in the financial report of the organiser of an election campaign related to exceeding the limit for the election campaign or financing the same contrary to the provisions of this code, it will report to the competent bodies to initiate the appropriate procedure.

The Law on Public Procurement, adopted in 2004, established precise mechanisms and procedures for public procurements, which rule out discretionary practices in decision-making and provide transparency in the procedure. Public Procurement Bureau has been established.

The **Law on Free Access to Public Information** has been adopted and entered into force in September 2006, in order to strengthen transparency in the public services. Supervision over the implementation of the Law on Free Access to Information is carried out by the Commission for Protection of the Right to Free access to Public Information, founded in May 2006. The Statute of the Commission was adopted in June 2006. For the purpose of implementing the Law, the following bylaws have been adopted: Manual on the manner and procedure of implementation of the Law on Free Access to Public Information, Application for access to public information and a Complaint.

The amendments of the Law on State Audit strengthen the existing control mechanisms of state auditing. Aiming at preventing corruption, the provisions of this Law also stipulate that the Annual Report on Conducted Audits should include data on all material cases of corruption, of which the State Commission for Prevention of Corruption or other competent body has been notified.

In order to raise the level of cooperation, **Guidelines on cooperation between the State Administrative Bodies, Public Enterprises, Public Institutions and other legal persons managing state capital with the State Commission for the Prevention of Corruption** has been adopted. The cooperation is fulfilled through harmonisation of the activities and measures in the fight against corruption, establishment, coordination and maintenance of communication, provision of technical assistance through exchange of professional, scientific and technical knowledge, as well as by giving information for persons, who are suspects for committed actions with elements of corruption. In the preparation of legal projects vital to prevention of corruption, it is prescribed that they should be submitted for opinion to the State Commission for Prevention of Corruption.

**Public services** are accessible for every citizen. The Constitutional principle that every work post should be available to anyone under the same conditions is implemented in the two basic legal acts (the Law on Civil Servants and the Law on Labour Relations), which regulate the manner of employment of civil servants and other employees in the public sector. The procedures for selection and employment of civil servants are based on two basic principles: the constitutional principle of equal access to work posts and the merit principle – selection according to qualification. Apart from this, in the process of employing civil servants,

the principle of adequate and equitable representation of citizens from all communities shall be applied, in all professions determined by law, with complete compliance with the criteria of professionalism and competence.

In order to improve the quality of public services and the fight against bureaucracy and corruption, the Government introduced the Citizens' Charter in December 2006. The control mechanism over the work of the bodies covers the introduction of a Service Evaluation Form, which represents a simple questionnaire by which the citizens - users of certain services are queried on the manner, velocity and deadline for providing certain service. It is also an opportunity for giving suggestions on improvement of providing services.

According to the Law on Prevention of Corruption, the appointed officials, responsible persons in public enterprises, public institutions or other legal persons that operate with state capital, as well as other officers shall be liable to report their property.

The principles of integrity, accountability and transparency of the state administration are integrated in explicit provisions in several laws:

- **The Law on Civil Servants** determines that civil servants shall conduct works related to the functioning of the State, in accordance with the Constitution and law, in a professional, politically neutral and unbiased manner. The professional integrity is also supported with the principles of impartiality and independence in decision-making, free evaluation of evidence and protection of the citizen's rights and protection of the public interest, provided for in **the Law on General Administrative Procedure**.
- The Law on Civil Servants contains special provisions on responsibility of civil servants, both disciplinary and material responsibility. Internal audit as an important control instrument in a given institution, covering financial and legal audit of execution of duties, it is important for the efficiency and quality of operation, for the process of decision-making and for the prevention of irregularity and abuse of the position.
- The provisions of **the Law on Organisation and Operation of the State Administrative Bodies**, which regulate the information of the public concerning their operation and the provision of consultations with citizens in the preparation of laws and other regulations, are also in context of implementation of principles of openness and transparency as well as participation of citizens in the processes of adopting decisions. Transparency of the state administration shall be greatly improved with the adoption of the new **Law on Free Access to Public Information**.
- The responsibilities of the state administration is assessed through legal mechanisms of supervision by the executive authority, the higher administrative bodies, court control, the Ombudsman, the State and internal audit and through the State Commission for Prevention of Corruption

Several **Codes of Ethics** have been adopted for the purpose of regulating the conduct of civil servants and elected and appointed persons: The Code of Ethics for Civil Servants; Police Code of Ethics; Code of conduct of the official persons performing their working assignments in the penitentiary and educational-correctional institutions; the Code of Ethics of Tax officials; the Customs Code; the Code of Medical Deontology; Code of Judicial Ethics; Code of Public Prosecutor's Ethics; Code of professional ethics of lawyers, their professional associates, legal associates and interns.

**Measures for raising public awareness regarding corruption** as a serious criminal act shall be undertaken by the Government and other State bodies, as well as by the State Commission for Prevention of Corruption, whereby there is also cooperation with the civil sector:

- In order to obtain public response regarding cases of corruption, the web page of SCPC (<http://www.dksk.org.mk>) was established, where citizens can be informed on the latest activities of the Commission, legal acts, relevant documents related to prevention of corruption, etc;
- The Ministry of the Interior opened a free telephone line #199 for reporting cases of corruption of officials;
- The Customs Administration opened a free telephone line #197, enabling citizens to report smuggling, corruption and irregularities in the operation of the Customs Administration;
- The Public Revenue Office also opened a free telephone number #198 for reporting abuse of the official duty of employees at the Office, tax evasion and non-issuing fiscal bills;
- In 2007 and in the following years, the Government is considering the possibility to provide funds for using the call centre services. The free telephone line #190 is intended for reporting possible cases of bribe and corruption among employees in the public administration.
- **Free telephone lines** for reporting cases of corruption in the municipal administration have been introduced in the majority municipalities within Skopje. Free telephone lines have been introduced also in the Clinical Centre, the Cadastre, the Public Enterprise - Watersupply, Public enterprise for Management of Housing and Business Premises etc.

In order to promote transparency of public procurements, as of the beginning of March 2005, the Public Procurement Office has maintained a Single Register and Sub-register of public procurement realised by all subjects on the territory of the Republic of Macedonia. This Register is published and regularly updated on the web page of the Office, where the law and the bylaws can be found, as well as the standard bidding documentation with contract models, calls for procurement, decisions of the Commission for Complaints, the Manual for Self-training and all other relevant information on public procurement that is equally useful to both suppliers and bidders (<http://javni-nabavki.finance.gov.mk/>).

Apart from the state bodies and institutions involved in fighting corruption, the private sector is also involved in context of setting directions, which would prevent the same from corruptive activities. **Code for good corporate conduct** has been adopted to strengthen the responsibility of managers and corporate management. The development of these codes of conduct for companies is for the purpose of preventing corruption and stimulating the contribution of the companies to society in which they operate.

## INSTITUTIONAL FRAMEWORK

**The State Commission for Prevention of Corruption** is the competent authority for application of the measures and activities for prevention of corruption, provided for in the law. The State Commission has the capacity of a legal person with its own budget. A Secretariat has been established as a professional service for performing the professional, administrative and technical tasks of the State Commission. The State Commission is composed of seven members, appointed from the ranks of distinguished professionals in the fields of law and economy, who have acknowledged reputation in their line of work. They are appointed and dismissed by the Assembly of the Republic of Macedonia. The Secretariat of the State Commission has increased its staff by 3 newly employed persons in 2006, while an employment procedure is underway for other 3 persons.

In 2004, the Public Prosecutor's Office of the Republic of Macedonia established a **Unit for Prosecution of Perpetrators of Crimes in the Field of Organised Crime and Corruption**. The Unit has competence to act *ex officio* in cases of criminal offences committed by an organised group comprised of at least 3 persons which acts in a certain period in order to acquire direct or indirect financial benefit or other type of material benefit and commits one or more criminal acts, as well as to act upon other criminal acts that are regulated by law with sentence of imprisonment for a period of at least 4 years. The Unit is fully operational with a total of nine persons, seven of whom are prosecutors specialised in certain field, one counsellor from the judicial structure and one civil servant. Premises and technical equipment have also been provided.

**The Police** is one of the bodies competent for efficient fight against corruption. In 2003, within the Ministry of Interior a Sector for Internal Control, Professional Standards and Internal Audit was established, whose task is to prepare Anti-corruption Programme at the Mol and to monitor its implementation. **The Anti-Corruption Programme** was adopted at the end of 2006, and the activities for its implementation in all segments of the Ministry and the police commenced. This sector is also competent for investigating cases of corruption in the police. A capacity building project has been arranged with the European Agency for Reconstruction, aiming at training, harmonisation of the Sector's legal framework, building cooperation with all entities involved in fighting crime, as well as developing mechanisms of transparency - internally and externally. In January 2005, the **Section for Organised Crime** started working. The activities for suppression of corruption and serious economic crime are directly implemented within the **Department for Financial Crime**, which consist of: **Unit for economic crime** and **Unit of money laundering and corruption**. In addition to this, it's significant to mention the formation of the **Department for Criminal Intelligence and Analysis** responsible for gathering, checking and evaluation of information and data, their analysis, re-evaluation and synthesis. In this way, the obtained analytical information enables carrying out police actions, while strategically, it enables planning the developmental, technical, financial and similar activities.

With the Law on Financial Police of 2002, the **Financial Police** was established, as a body within the Ministry of Finance with specific competence (detection of violators of the law involved in the most complex types of financial crime, tax evasion, money laundering, smuggling, illicit trade in goods and products, or other type of criminal acts that involve non-payment of significant amounts of tax, customs duty or legalisation of proceeds from criminal acts). This Law provides for separation and transfer of the police surveillance over financial crime from the Ministry of Interior to the Ministry of Finance, whereby a specialised team will trace the money proceeding from criminal activities.

**The Public Attorney** of the Republic of Macedonia is an authority which protects the property rights and state interests. The competences and authorisations of the **Public Attorney** are laid down in several individual laws and bylaws<sup>19</sup> and they consist of representing in property and legal disputes before the courts, as well as assessment of the legality of concluded agreements or decisions in administrative procedure. The **Public Attorney** of the Republic of Macedonia controls the liability of state bodies to submit agreements or decisions adopted in primary procedure, by which state property is managed, as a protective mechanism against possible abuses by the state bodies.

**The Public Revenue Office** - General Directorate Skopje, within the Sector for External Control has established a **Unit for Prevention of Corruption**. It has two authorised officials managing the procedures according to the provisions of the Law on Prevention of Corruption and two individuals for administrative matters. The Unit for Prevention of Corruption within the Sector for External Control has the competence to perform the following: preparation of methodology and instructions for its application, maintenance of procedures prescribed by law not included in the usual tax procedure (anti-corruption measures), development and coordination of a programme for identification and fight against grey economy and in that aspect cooperation with the regional directorates.

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<sup>19</sup> Law on Denationalisation, Law on Using and Managing Properties of State Bodies, Law on Performing Notary Activities, Law on Construction Land, Law on Privatisation and Lease of Construction Land, Law on Expropriation, Law on Surveying, Land Register and Entry of Rights to Real-estate, Law on Enforcement, Law on General Administrative Procedure, Law on Administrative Disputes, Law on Transformation of Enterprises with Social Capital, Law on Transformation of Enterprises and Cooperatives with Social Capital managing agricultural land, Law on Sale of Socially-owned Flats etc.



The **Public Procurement Bureau** is a state administration body within the Ministry of Finance without capacity of legal person. The Public Procurement Bureau is responsible for developing the system of public procurement providing legality, rationality, efficiency and transparency in the implementation of public procurement, and for encouraging competition and equality of bidders in the public procurement procedures. Namely, the Bureau monitors and analyses the implementation of the law and bylaws and the functioning of the public procurement system and initiates proposals amending and adopting new laws and bylaws for the purpose of improving and promoting the public procurement system. Also, the Bureau provides expertise and assistance to entities referred to by the Law on Public Procurement, cooperates with international institutions with regard to the development of the public procurement system and submits an Annual Report to the Government on the functioning of the public procurement system with regard to detected irregularities and proposed measures to be taken.

The **Directorate for Prevention of Money Laundering**, is a state administration body within the Ministry of Finance, competent to act as intermediary in exchange of information between the private sector and the state bodies competent for prosecution of perpetrators of money laundering. The Directorate collects, processes, analyses, submits and stores data acquired from entities liable for taking measures and actions for disclosure and prevention of money laundering. According to the Rulebook on Organisation and Operation of the Ministry of Finance, the Directorate as administrative model of Financial Intelligence Unit (FIU) is comprised of three units: Unit for Analytics, Unit for Suspicious Transactions and Unit for System Development and International Cooperation. (See Chapter 04. Free Movement of Capital).

**Customs Administration** - aiming to provide integrity of customs officers and preventing corruption, within the Customs Administration functions a **Sector for Professional Responsibility**, with its two units: **Unit for Internal Inspection** and **Unit for Internal Investigations**. (See Chapter 29 - Customs Union)

The **State Audit Office** (SAO) submits to the Assembly of the Republic of Macedonia an annual report on its performed audits and on its operation as well as audit reports with regard to significant irregularities. SAO publishes the annual reports and the final audit reports on its web site. SAO is committed to carry out audits to the Budget of the Republic of Macedonia, the budgets of the funds, the beneficiaries from the Budget of the Republic of Macedonia, the budgets of the municipalities and public enterprises founded by the state and the political parties financed by the budget at least once a year. The annual report contains a report on all material cases of corruption which the State Commission for Prevention of Corruption or any other competent authority has been informed of.

By decision of the Government of Republic of Macedonia, there has been formed an **Inter-ministerial body for coordination of activities against corruption** in order to coordinate the activities of all competent bodies included in the prevention of and fight against corruption, for their timely and mutual informing and exchange of information and for implementation of the recommendations contained in the GRECO reports, reports of the Council of Europe and other international organisations. The body consists of representatives of the Ministry of Justice, the Ministry of Interior, the Ministry of Finance (Public Procurement Bureau, Financial Police, Directorate for Public Revenues), and Ministry of Local Self-Government, Secretariat for European Affairs, Civil Servants Agency, the Public Prosecutor's Office and the courts. To regulate its activity precisely, the Inter-ministerial body has prepared its Rules of Procedure.

## STRATEGIC DOCUMENTS

The State Commission for Prevention of Corruption adopted the **National Programme for Prevention and Suppression of Corruption** along with an **Action Plan in 2003**. The National Programme contains recommendations regarding the necessary measures and activities that should be adopted in order to establish an efficient system for prevention and repression of corruption. An integral part of the National Programme is the Action Plan for implementation which provides short-term, medium-term and long-term objectives and a system for monitoring and evaluation of its implementation. During 2005, an Annex to the National Programme was adopted, related to prevention and repression of corruption with measures for prevention and repression of corruption within the frames of the local self-government, with an Action Plan for measures and activities for prevention of corruption in the local self-government units.

In December 2006, the **Anti-corruption Programme of the Ministry of Interior** was adopted.

The State Commission for Prevention of Corruption in the first half of 2007 will draft a new **updated version of its National Programme for Prevention and Suppression of Corruption** based on efficiency indicators in its implementation. The Programme, as with the previous version of 2003 which was for the most part successfully implemented, will be based on the pillars of the system of national integrity – political system, the Assembly and political parties, judiciary, public administration and local self-government, law enforcement agencies and watchdog bodies, economic and financial system, non-governmental sector and media. Unlike the previous programme, a system for its implementation and monitoring which will be carried out by the Secretariat of the Commission will be developed.

To provide a comprehensive approach in fighting against corruption, the preparation of an **Action Plan of the Government for fight against corruption** will be a novelty that will be complementary with the National Programme. At the same time, it will represent a clearly expressed commitment by the Government for undertaking certain measures and activities for suppression of corruption.

## SHORT-TERM PRIORITIES

### LEGISLATION

The **UN Convention against Corruption** signed in August 2006, is in parliamentary procedure for ratification. In November 2006, the procedure for signing the **OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions** commenced.

With the adoption of the **Decision on introduction of regulatory guillotine** from November 2006, the Government commenced the regulatory reform as a new institutional mechanism for re-examining provisions for the purpose of their simplification. The reform is aimed at decreasing the corruptive practices and strengthening the business climate. By August 2007, it is envisaged that 1500 laws and 1000-1500 bylaws are to be revised, thereby those that are incompatible with the principles of the market economy shall not be applicable any further. The Reform shall take place in three phases: 1. preparation of a list of all regulations and evaluation of the rationale of each regulation; 2. re-examining the opinions on the rationale of the provisions and preparation of an Opinion on amending, cessation of validation or non-amending the regulation and 3. establishing a Unique Electronic Records of Regulations that will be available on the Government's web page.

For the purpose of greater transparency in the efforts for suppression and overcoming of the conditions which can lead to conflict of interests of the public officials and officers in general who work in state bodies, municipal bodies as well as other institutions that use the funds from the Budget of the Republic of Macedonia i.e. from the budget of the municipality, the **Law on Conflict of Interests** has been drafted. This Law is currently in parliamentary procedure – second phase. This Law shall further establish the measures and activities for establishing, preventing and sanctioning cases of conflict of public and private interest.. SCPC shall be competent authority for implementation of the Law.

For the purpose of the implementation of the GRECO Recommendations provided by the Reports on the Republic of Macedonia and fulfilling the priorities envisaged with the European Partnership, the following measures shall be undertaken:

- Completion of the procedure for revoking the immunity of the members of the Parliament of the Republic of Macedonia
- Preparation of a Project for implementation of the new legal regulation for confiscation and seizure of the crime proceeds and related issues, including establishment of guidelines and comprehensive training of the authorised officials;
- For the purpose of determination of the phenomenon of corruption in the main fields of public life (the police, education, health, judiciary, customs, etc) and establishment of efficient preventive and detection measures, a project shall be prepared, which shall offer concrete data and indicators for scoping of corruption in key areas of public life
- Increasing public awareness of the Ombudsman as a potential mechanism for processing complaints related to corruption in the public administration (having in consideration the small number of complaints in the field of corruption);
- Consolidation of the Code of Ethics for civil servants with provisions aimed at reporting suspicion of corruption;
- Increasing transparency in making public decisions and in the management of state assets (including state owned land, concessions and public procurement) will be implemented through:
  - Introduction of clear and precise rules and uniformity in the procedures, provisions on transparency in management and sale of state-owned land for construction and sale of other state-owned assets and introduction of precise provisions for the possibilities of conclusions of direct agreements.
  - Strengthening the internal audit in the institutions;
- Implementation of the plan for restriction of discretionary rights of public officials, according to the Report on discretionary rights;
- Raising awareness of the citizens on the phenomenon of corruption and on the legal mechanisms for prevention and suppression of corruption through media campaigns and introduction of anti-corruption programmes in the educational system.

Regarding the implementation of the SCPC recommendations and further **improvement of the coordination and cooperation between the institutions**, the following activities will be undertaken:

- Adoption of a new **Law on Financial Police** with the purpose to contribute in overcoming the current problems encountered by the financial police in its competences related to the fight against criminal activities. This law especially tackles the problems of overlapping competencies and exchange of information between the Financial Police, the Customs Administration, the Public Revenue Office, and the Ministry of Interior (having in consideration that all these bodies gained equal authorisations in the pre-investigative procedure, according to the latest amendments to the Law on Criminal Procedure).
- Amendments of the **Guidelines on the cooperation** between the State Administrative Bodies, Public Enterprises, Public Institutions and other legal persons managing with state capital and the State Commission for Prevention of Corruption because of its harmonisation with the Law on Prevention of Corruption (art.53, art.53-a), providing for better functioning of the SCPC and better communication with the respective institutions.
- Preparation and implementation of **new National Programme/Strategy for Prevention and Suppression of Corruption** by the new SCPC, as well as upgrading of the current, preparation of the **indicators** for implementation assessment and **implementation monitoring system of the measures** of the National Programme,
- Strengthening the mechanisms for surveillance and control of the notaries and introducing legal obligation for reporting information regarding corruption by the notaries in the new **Law on Performing Notary Activities**.

For the purpose of providing full implementation of the adopted legislation on financing the political parties and their election campaigns, for funds control of the officials, the implementation of the appropriate provisions of the Electoral Code, Law on Political Parties, and Law on Prevention of Corruption will be monitored.

With regard to realisation of the GRECO Recommendation No. 1 (second round of evaluation) on drafting a project of implementation of the new legal regulation and confiscation of crime proceeds and related issues, the Ministry of Finance i.e. Directorate for Prevention of Money Laundering within the framework of the MOLI-MK project – joint project with the Council of Europe and the European Agency for Reconstruction within the period of 2005-2006 realised a large number of training courses for more efficient implementation of the new legal regulation on money laundering prevention. This training was intended for the employees of the DPML, competent law-enforcement bodies and the private sector i.e. representatives of the entities responsible for implementation of measures and actions for prevention of money laundering in accordance with law. Within the framework of the Project, with a support of foreign experts, a Report on the Harmonisation of the National Legislation with the international standards in the part of confiscation, seizure and treatment of the proceeds has been drafted. The National Working Group consisted of representatives of the Ministry of Justice, DPML, experts from the Faculty of Law and from the Public Prosecutor's Office. This document shall serve as a base during the analysis of the Criminal Code and the Law on Criminal Procedure. The DPML activities are more specifically elaborated in Chapter 4 - Free Movement of Capital.

## INSTITUTIONS

In December 2006, the Government considered the possibility of establishing a system for collecting and exchange of information and for mutual access to databases in the fight against corruption. An analysis of the current condition in all institutions that have anticorruption competencies was undertaken. The Analysis includes their technical capabilities for collecting, keeping and sharing information. The Government envisages a project for creation of decisions for electronic exchange of information and establishing mutual access to databases for efficient fight against corruption.

For strengthening the participation of the PRO and the SCPC for recording the property and inspection of the survey forms regarding declaration of assets, a creation and updating of a database in the SCPC is envisaged for recording the property and networking with the database of the PRO.

**Further strengthening of the capacities of the Mol, PPO, SCPC** for resolving cases of corruption shall be performed by:

- Capacity building of the Mol, PPO, and technical equipment for implementation of special investigative measures,
- Upgrading capacities of the SPCP, staffing of the Secretariat of the SPCP with 5 new employees, providing new premises and proper equipping, establishing regional and international cooperation with similar institutions for fight against corruption and prevention of conflict of interests.
- Strengthening the entire cooperation and coordination between other competent bodies for fight against corruption (SPCP, PPO, MI, PPB, FP, DPML, PRO, CA, and judiciary) through the implementation of the memoranda for cooperation between the competent bodies for fight against corruption.

A project for strengthening the capacity of the **Sector for Internal Control and Professional Standards** is provided, directed towards training and harmonisation of the legal framework of the Sector, strengthening the cooperation of all subjects included in the fight against crime, as well as developing mechanisms of transparency- internally and externally.

## Training

Following types of training and focus groups have priority on a short-term plan:

- Training of authorised officials regarding confiscation and seizure of proceeds from the criminal acts:
- Training of civil servants for the purpose of increasing their knowledge in prevention and suppression of corruption, promotion and implementation of the ethical standards in the administration.
- Training of internal auditors for resolving the cases of corruptive activities in the administration,
- Implementation of a continuous education, specialised and joint trainings for the representatives of the Mol, PPO, SPCP, courts, FP, DPML, PPB, PRO, CA with regard to strengthening their capacities for resolving cases of corruption,
- Organising training and study visits in countries with developed systems for prevention and repression of corruption and detecting conflict of interests for the members of the Commission and its Secretariat.
- Implementation of training for the employees in the PRO and SPCP for application of the new system for collecting and exchange of data.

## MEDIUM-TERM PRIORITIES

Measures and activities shall be implemented on a medium-term considering the realisation of the following priorities:

- Full implementation of the Recommendations of the Group of States against Corruption – GRECO:
  - Regulating the public officials conduct and work by adoption of a Code for the Public Officials,

- Introducing penalty records for legal persons for the purpose of having at disposal data on commenced procedures for crime acts perpetrated by legal persons;
- Establishing methodology for determination of risk elements ("triggers") of corruption in the public procurement;
- Amending the criminal legislation for the purpose of harmonisation with the Criminal Law Convention on Corruption (introducing of the liability for legal persons for the criminal act of unlawful intermediation); harmonisation with the OECD and UN Convention on Fight Against Corruption;
- Implementation of a project for the purpose of determination of the degree of corruption in the particular fields of public life (police, education, health, judiciary, customs, etc);
- Implementation of the National Programme on Prevention and Repression of Corruption and enhancement of awareness-raising initiatives in the administration and among the general public, as well as ensuring effective implementation of measures and legislation adopted to fight corruption will be implemented through:
  - Operation of the monitoring system for the implementation of measures of the National Programme on Prevention and Repression of Corruption for the purpose of collecting intelligence for its implementation;
  - Preparing and holding annual conferences for evaluation of the implementation of the National Programme on Prevention and Repression of Corruption based on the indicators, drafted in 2006;
  - Implementing public campaigns and education in the administration for improving the knowledge in prevention of the corruption.
- Implementation of anti-corruption programmes in the educational system;
- Efficient inspection of the survey forms and implementing procedures for inspection of the declaration of assets of elected and appointed officials, as well as efficient sharing of data considering the declaration of assets of elected and appointed officials through the mutual network of PRO and SPCP;
- Strengthening international cooperation with anti-corruption bodies of other countries, international institutions and organisations through realisation of study visits, participation at seminars, workshops and conferences at regional and international level;
- Strengthening the capacities of the Civil Servants Agency for coordination of the activities for training and professional development of the civil servants, including trainings for anti-corruption measures and promoting of ethics in the civil service.

## FOREIGN ASSISTANCE

In terms of supporting the anti-corruption policy, the following projects that include foreign assistance are active/certain:

**Cards 2005 - Twinning project for support of the Public Prosecutor's Office**, ongoing (twinning: 1.500.000 million EUR, user: Public Prosecutor's Office of the Republic of Macedonia): the objective of the project is to ensure the Public Prosecutor's Office ability to conduct new competencies and responsibilities given with the legislation regarding investigation and prosecution of the organised crime and corruption. Expected results: 1) Strengthened capacity of the Public Prosecutor's Office for efficient implementation of the new Law on Public Prosecution and Law on Criminal Procedure. 2) Establishing and operationalisation of the Unit for fight against organised crime and corruption in accordance with the Decisions of the new Law on Public Prosecutor's Office.

**UNDP; Norway – Fight against corruption for the purpose of improving the Directorate** (grant: 420.000 EUR; User: local authorities, private sector and civil society; Realisation period: 01/2006-12/2007). Project's objective is to work with the local authorities, the private sector and the civil society on the institutionalisation of practises that will focus on results, establishing clear goals, developing effective strategies and monitoring and reporting on the work of the local authorities in daily prevention, fight and sanctioning of the corruptive practises. The activities of the project are as follows: a) trainings for transparent and responsible local management, b) implementing a research for the purpose of establishing the level of corruption at local level for undertaking appropriate measures for further resolving of this issue, c) assistance in developing a Code of the elected and appointed persons within the framework of the local authority. One specific component is directed towards strengthening of the civil control in the fight against corruption by building capacities of the NGO's in better realisation of their functions as supervisors (controllers).

**Norway – Pilot Project: Anti-corruption Measures**, grant: 70.000 EUR, Users: Social Work Centres, the Employment Agency and State Universities. The project's objective is to contribute towards lower level of corruption and public perception of the corruption, by improving the quality of public services provided by the state institutions. Components: A. Improving the quality of public services, provided for the citizens in the Social Work Centres, the Employment Agency and both State Universities (by training on anti-corruption and ethics issues). B. Enhanced awareness for the need of fight against corruption and the role of the citizens (receivers of the public services) in the corruption.

**USAID – Support to the State Commission for Prevention of Corruption for drafting a National Programme on Prevention and Repression of the Corruption upgrading the previous version of the same and an Action Plan on Implementation, as well as an Action Plan on Fight Against Corruption of the Government, complementary to the National Programme**, (grant: 500.000 USD. user: State Commission for Prevention of Corruption). USAID/World Learning shall engage two

international experts as a support to the State Commission for Prevention of Corruption and to home experts for drafting key indicators of work/efficiency and a monitoring system of the operation, based on the indicators as well as development of the institutional capacity of the State Commission. Key indicators shall be established for six pillars of the national integrity system. After adopting the National Programme, one of the experts shall work on the assessment and development of the monitoring system on operation and institutional capacity of the State Commission.

**Great Britain – 'Umbrella' Project on Corruption** (grant, user: Government of the Republic of Macedonia, realisation period: 04/2007-03/2009. Project's objective is to secure support to the Government of the Republic of Macedonia in the fight against corruption.

**Great Britain – Support to the implementation of the Law on Free Access to Information** (Macedonian Institute for Media and State Commission for Free Access to Information), grant, user: State Commission for Free Access to Information, realisation period: 04/2007-03/2009.

**UNDP regional – sub-regional mechanisms for facilitation of anti-corruption initiatives on the Western Balkans**, grant, realisation period: 2007- . This project shall create a sub-regional mechanism as a support to the UNDP offices on the Western Balkans during undertaking anti-corruptive initiatives. This project shall be focused on defining a sub-regional strategic access, management and knowledge exchange, identification of repeatable project components and support to the implementation of the lessons learned. Project's objective is learning from each other and securing that the appropriate connections between programme efforts in different countries are established.

**The following list of projects contains components regarding the anti-corruption policy:**

- **World Bank – Business Environment Reform and Institutional Strengthening (BERIS) Project**, loan: 8.800,000 EUR; user: Ministry of Economy, realisation period: 10/2005-03/2010. BERIS is consisted of 4 components; one of them (business regulation) supports the fight against corruption.
- **World Bank, Netherlands, Sweden – Project on the Cadastre for Real Estate Property and Registration**, (loan + grants: 10,300,000 (loan) + 550.000 (Dutch grant) + (27,000,000 SEK) EUR, user: State Land Register, realisation period: 09/2005-12/2009 (loan), 12/2004-07/2006 (Dutch grant). Development aim of the project is improvement of the registration of the land and the land registration system, contributing to the development of an efficient real estate market.
- **World Bank, Netherlands – Dutch Fund for Technical Assistance (PDPL)**, loan + grant 2.500.000 EUR, realisation period: 01/2007-12/2009. Project's objective is focused on the support in judicial reform, labour market reform, improvement of the business environment, public administration reform, reform in the field of health, including reforms in the Health Insurance Fund.
- **IMF – Netherlands – Technical Assistance of the Public Revenue Office**, grant 2.460.000 EUR, user – PRO, realisation period: 07/2006-12/2009. Project's objective is technical assistance by the IMF and the Dutch Ministry of Finance for increased adherence and collecting incomes by improving the tax administration and integration of taxes and contributions.
- **EU CARDS 2006, Netherlands- Strengthening the System of the Public Internal Financial Control**, twinning 1.200.000 EUR, user MF - Sector for Central Internal Audit, realisation period: 01/2007 – 12/2008. Project's objective is providing technical assistance for the Ministry of Finance- Sector for Central Internal Audit by the Dutch Ministry for Finance and Justice.
- **EU/CARDS 2005 - Technical assistance to the Western Balkans countries in the field of the customs and taxation**, grant 2.730.000 EUR, user – Customs Administration, realisation period: 2006/04/01-2007/06/30. Project's general objective is to continue the assistance to the customs and tax authorities in the Western Balkans countries during their preparations for future membership in the EU.
- **EC - Regional Project FP 6 - ELECTRA Web (Framework for European Electronic Application on Public Procurements in the Western Balkans Region)** grant 35.000 EUR, user Public Procurement Bureau, realisation period: 01/2007-12/2008. Project's objective is to define, build and test electronic applications on public procurements (based on an open platform) and to establish forms and rules for their support, thereby providing safe and efficient use of the system on public procurement for the public institutions and bidders in Western Balkans.
- **Netherlands – Bilateral Twinning between Dutch Tax and Customs Administration and Macedonian Customs Administration**, twinning 500.000 EUR, user: Customs Administration, realisation period: 09/2005-12/2008. The goal of the twinning programme between Macedonian Customs Administration and Dutch Tax and Customs Administration (DTCA) is to contribute to the improvement and development of Macedonian Customs Administration and to support the realisation of goals referred to in the Strategic Plan 2004-2008.

- **Netherlands –Twinning between Dutch Audit Court and Macedonian State Audit Office**, twinning 931.812 EUR, user: State Audit Office, realisation period: 2005-2008. Providing technical assistance to the State Audit Office in the part of the legal framework, strengthening the organisational and administrative capacities, strengthening auditory skills and audit of the information systems.
- **Netherlands – Programme Support to the Civil Association MOST**, grant 120.000 EUR, user – the general public, realisation period: 03/2006 - 12/2007. The project is consisted of education and including the citizens, institutions that react, responsibility and transparency.
- **USAID – E -Government IMPACT – Public Administration Management Development through communication technology**, grant 4.950.000 USD, user: General Secretariat, realisation period: 09/2004-09/2009. The project helps in the development of the strategy, standards and capacities for fiscal management aiming at bigger efficiency and transparency in the activities of the Government and decreasing the possibilities for fraud and misuse by using ICT;
- **USAID - Project on Modernisation of the judiciary**, agreement 13.310.000 USD, user: Ministry of Justice, judiciary, realisation period: 10/2006-09/2007.
- **USAID-Activities in the sphere of commerce**, grant 7,940.000 USD, realisation period: 10/2006 - 09/2008. Project's objective is development of transparent climate for investing and commencing business undertakings in the Republic of Macedonia. Eliminating corruption is one of the factors for improvement of the business climate in Macedonia.
- **Great Britain- National Action of the Media and Public Administration on Increasing the Political and Economy Transparency and Accountability in Macedonia**, grant 70.00 pounds, user: media/public administration, realisation period: 2006-2007. Project' objective is to provide the public media and the representatives of the public administration to obtain appropriate skills and abilities which will provide them to implement actions for creating and maintaining bigger political and economy transparency and accountability at the level of all state bodies in the Republic of Macedonia. Implementing body: Macedonian Institute of Media
- **OSCE - Support in the implementation of the Law on Access to Public Information**, grant 2006 - 0,029; 2007 around – 175.000 EUR, user: State Commission for Free Access to Information, realisation period: 2006-2007. This project is directly connected to bigger transparency in the Government and public administration as key means in the fight against corruption.

### **3.23.3 FUNDAMENTAL RIGHTS (see also: I Political Criteria, Human rights and protection of minorities)**

During 2005-2006 there is an evident increase of the number of citizens addressing the Ombudsman in cases of violation of their rights by the state administrative bodies and other bodies and organisations with public authorisations. In the first half of 2005, the Ombudsman operated with a total number of 45 executive officers in the Expert service and with officials appointed as Ombudsman and four deputies in its office in Skopje. In the second half of 2005, the Assembly of the Republic of Macedonia elected six deputies for the regional offices. During 2006, three additional executive officers were employed, thus, the Ombudsman operates with sixty executive officers and ten deputies of the Ombudsman. In order to strengthen the cooperation between the Ombudsman and the state administrative bodies, in 2006 a mechanism for quarterly monitoring of the action of the state administrative bodies was introduced, upon the recommendations by the Ombudsman.

In 2007, for the purpose of promotion of the communication between the Central and Regional Offices of the Ombudsman, a network connection between these offices will be established. It is expected that in 2007 the Ombudsman Office would be strengthened with 4 additional executive officers.

### **3.23.4 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.

In relation to the protection of personal data as one of the fundamental freedoms and rights of individuals, Republic of Macedonia has positively and legally determined, in Article 18 of the Constitution a guarantee for the safety and confidentiality of personal data and protection against violation of the personal integrity of citizens, arising from registering information through data processing.

Republic of Macedonia adopted the Law on Personal Data Protection, which entered into force as of February 2005. The Law is harmonised with the Directive 95/46/EC from 1995, Decision of the Commission 2001/479/EC and 2004/915/EC and the

Convention No. 108 of the Council of Europe of 28 January 1981. The transition period for entire adjustment of the action of controllers with the Law on Personal Data Protection is within 2 years from the adoption of the bylaws until mid December 2007. The bylaws (five Rulebooks) related to the direct implementation of the Law on Personal Data Protection were adopted in December 2005 and published in the Official Gazette of the Republic of Macedonia.

The personal data protection in certain specific sectors (police) has been harmonised with the EU regulations in the Law on Police adopted in 2006, in harmonisation procedure with the relevant regulations in the other sectors (statistics, health etc.)

## **INSTITUTIONAL FRAMEWORK**

### **Directorate for Personal Data Protection**

The Law on Personal Data Protection provides for establishment of a Directorate for Personal Data Protection as an independent state body with the capacity of a legal person to carry out supervision over the activities undertaken in the data processing and protection. The Directorate was established in June 2005.

The Assembly of the Republic of Macedonia appoints the Director of the Directorate for a period of five years (different from the term of office of the legislative and executive authorities) with a right to re-election, but not more than twice. The Director submits an annual Report to the Assembly of the Republic of Macedonia. The employees in the directorate have a capacity of civil servants. The total number of employees in the Directorate, including the persons appointed at the end of 2006, is 13.

The premises of the Directorate were provided in 2006. Furthermore, equipment for information support of the Directorate was provided. Commission was established to decide upon requests by citizens who consider that some of their rights guaranteed by the Law on personal data have been violated. The Commission has already decided on the requests by citizens in the first instance. In the second half of 2006 supervision was commenced over controllers according to the determined plan and in incidental cases. Decisions have already been made to delete personal data collections due to their incompliance with the Law. During the year 2006, activities have been commenced for introducing the right for personal data protection deriving from the Law on Personal Data Protection and the procedure for exercising the protection of this right to the general public.

In 2006, the Directorate commenced active participation in drafting the Law on Police with regard to the personal data protection, and for the purpose of harmonisation of the provisions referred to in this Law with the Directive 95/46 of the European Commission and of the Council, the Convention 108/81 of the Council of Europe as well with the Recommendation 15(97) of the Committee of Ministers. The Directorate also participated in drafting procedure of the amendments to the Law on the State Statistics.

At a request of a number of controllers, the Directorate prepared expert opinions with regard to conclusion of memoranda/protocols for exchange of personal data between the state bodies of the Republic of Macedonia and relevant institutions from other countries (in the area of customs, internal affairs etc.) and numerous requests by the controllers concerning the transfer of personal data across the borders of the Republic of Macedonia as well as on the access to the personal data in the country were dealt with. Currently, opinions are given on the contents of the general acts related to controllers in terms of personal data protection. Also, the Directorate established a practice to turn to the controllers in cases of unlawful publication of personal data by the controllers.

The Directorate commenced realisation of international cooperation (it became member of the Conference of the European Institutions for Protection of Personal Data and the Conference of the Institutions for Protection of Personal Data in Southeast Europe). In 2006, the Directorate signed Cooperation Agreement with the Office for Personal Data Protection of the Czech Republic. The Directorate became member of the Consultative Committee TPD within the Council of Europe.

## **SHORT-TERM PRIORITIES:**

### **LEGISLATION**

By the end of 2007, the following activities will be realised:

- The Additional Protocol to the Convention 108 of the Council of Europe regarding supervisory authorities and transborder data flows will be signed and ratified;
- The Law on Personal Data Protection will be analysed in terms of entire harmonisation with EU Directive 46/95 and Convention 108/81;
- The Law on Personal Data Protection will be amended for the purpose of entire harmonisation with Directive 46/95 and Convention 108/81 as well as with the Additional Protocol to the Convention;
- Some of the bylaws related to amendments to the Law on Personal Data Protection will be amended;
- The Directorate will take active part in the proceeding of proposals on amending the legal regulation in terms of personal data protection, envisaged to be adopted in 2007;
- The Directorate will continue to monitor the harmonisation of the acts and the operation of controllers with the Law on Personal Data Protection and related bylaws.

## **INSTITUTIONS**

### **Directorate for Personal Data Protection**

Until the end of 2007, the following activities will be realised:

- Additional Protocol to the Convention 108 will be ratified in cooperation with the Ministry of Foreign Affairs, Ministry of Justice and the Government of the Republic of Macedonia;
- The cooperation with the Ministry of Interior will be strengthened for the purpose of operative cooperation between the Republic of Macedonia and EUROPOL;
- Strategic Plan for the period 2007 – 2010 will be established with implementing annual programmes;
- Analysis with draft measures of the ascertained weaknesses in the procedures provided for in the Law on Personal Data Protection will be drafted concerning implementation of administrative supervision and control and action upon requests from the citizens;
- Plan for supervision and control will be drafted and implemented as well as performance of supervision and control in urgent cases;
- A Central Register for personal data collections maintained by the controllers will be established;
- Web site of the Directorate will be installed.

The Directorate will draft Annual Work Report for 2006 in the regular time period. The Annual Report will be submitted to the Assembly of the Republic of Macedonia and following the adoption thereof, it will be published in the Official Gazette of the Republic of Macedonia.

## **MEDIUM TERM PRIORITIES**

### **LEGISLATION**

By the end of 2008, the relevant bylaws will be amended for the purpose of their harmonisation with the amendments to the Law on Personal Data Protection.

Additionally, horizontal cooperation with MI is expected with regard to the implementation of the Law on Police and improving the relations with EUROPOL as well as the activities related to the Schengen System.

Sectoral regulation will be adjusted in terms of the protection of personal data.

## **INSTITUTIONS**

### **Directorate for Personal Data Protection**

- Fully operational implementation of the Central Register.
- Introduction of regular inspection supervision concerning personal data processing and strengthening administrative capacities (from year 2008, inspectors for control and supervision will be appointed and trained).
- Intensive action with regard to the promotion of public awareness for protection of the right to privacy from the aspect of personal data protection.
- It is expected that the Directorate will fully join the work of the EU bodies through regular reports on the Republic of Macedonia and participation at the meetings (as observer or as member).
- To intensify inter-ministerial (horizontal) cooperation with the competent institutions such as Ministry of Interior, Ministry of Foreign Affairs, Ministry of Justice, the Ombudsman and others, upon obtaining preconditions and implementation of the right to personal data protection.
- Establishing institutional system for determining and pronouncing sanctions for misdemeanours.
- Drafting and publishing annual reports on the supervisions carried out.

Due to the permanent expansion of the work scope and the number of executive officers, in this period it will be necessary to upgrade the IT support with hardware and software solutions as well as further equipping of the Directorate concerning furniture and other equipment.

## **FOREIGN ASSISTANCE**

### **Directorate for Personal Data Protection:**

- The CARDS Programme 2004 – 850.000 EUR provided for technical support for establishment of a Directorate for personal data protection and development of personal data protection in the Republic of Macedonia (the Project will be implemented within a period of 18 months, May 2006 – November 2007).

## **3.23.5 THE RIGHTS OF EU CITIZENS**

This area will be subject to compliance as a medium-term priority. In addition, Community measures set detailed rules with regard to the right of the EU citizens to move and reside within the territory of Member States. In this regard, appointment of an 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 territory of the EU Member States is expected. Apart from the right to free movement, there will



be a need for further harmonisation in the field of the right to vote. As a medium-term priority, amendments to the Electoral Code are to be done, for constitution of the right to vote of the citizens of the EU Member States. The European Union has determined a legal framework for organisation of elections for the European Parliament, which guarantees that citizens of the Union, who reside in a Member State where they are not nationals, may participate in the local and parliamentary elections of the same under the same conditions as the nationals of that country. For that purpose, the act of election of members of the European Parliament should be accepted. Additionally, according to Article 13 from Directive (31993L0109) a national contact office should be established.

## INSTITUTION BUILDING REQUIREMENTS

BUDGETARY BENEFICIARY/ INSTITUTION	INSTITUTION/ SECTOR	Current status 31.12.2006	2007	2008	2009	2010	Total
02003: State Commission for Prevention of Corruption	SCPC: State Commission for Prevention of Corruption	9	5	2	2	1	10
02003: State Commission for Prevention of Corruption Total		9	5	2	2	1	10
02006: Directorate for Personal Data Protection	PDPD: Directorate for Personal Data Protection	10	4	4	4	3	15
02006: Directorate for Personal Data Protection Total		10	4	4	4	3	15
04001: Government of the Republic of Macedonia	GRM: Unit for Cooperation with the NGOs	3	0	0	0	0	0
04001: Government of the Republic of Macedonia Total		3	0	0	0	0	0
04006: The Public Attorney's Office of the Republic of Macedonia	MJ: Sector for Legal Affairs and Advocacy	22	2	2	3	3	10
	NEW: Public Attorney/ Unit for IT	0	1	0	0	0	1
	NEW: Public Attorney/ Unit for Execution of Decisions	0	1	1	1	0	3
	NEW: Public Attorney/ Unit for Geodesic Works	0	0	1	0	0	1
	NEW: Public Attorney/ Unit for Internal Audit	0	1	0	0	0	1
	PA: Public Attorney/ Sector for Accounting and General Affairs/ Unit for General Affairs	42	2	2	2	4	10
04006: The Public Attorney's Office of the Republic of Macedonia Total		64	7	6	6	7	26
07001: Ministry of Justice	MJ: Sector for IT	2	12	2	1	1	16
	MJ: Cabinet of the Minister	4	1	1	0	0	2
	MJ: Regional Offices of the MJ	530	0	0	0	0	0
	MJ: Sector for European Integration	9	2	1	1	1	5
	MJ: Sector for Finance	3	1	1	1	1	4
	MJ: Sector for International Legal Aid	10	1	1	1	0	3
	MJ: Sector for Judiciary	16	2	2	1	0	5
	MJ: Sector for State Administration, Electoral System and Administrative Responsibilities	7	0	1	1	1	3
	MJ: Sector for Supervision of Executors, Notaries and Mediators	2	3	2	1	1	7
	MJ: State Counsellors	6	0	1	0	0	1
	NEW: Sector for EU	0	2	2	2	1	7
	MJ: Sector for Human Resources	7	0	1	1	1	3
	SAI: State Administration Inspectorate	23	1	1	1	0	3
07001: Ministry of Justice Total		619	25	16	11	7	59
07002: Directorate for Execution of Sanctions	DES: Directorate for Execution of Sanctions/ Penitentiary	17	0	4	5	7	16
	DES: Directorate for Execution of Sanctions/ Penitentiary/ Sector for General, Legal and Economic Affairs	3	0	2	1	2	5
	DES: Directorate for Execution of Sanctions/ Penitentiary/ Training Centre	0	0	0	0	0	0
	DES: Directorate for Execution of Sanctions/ Penitentiary-Bitola	74	0	0	0	1	1
	DES: Directorate for Execution of Sanctions/ Penitentiary-Gevgelija	14	3	3	3	4	13
	DES: Directorate for Execution of Sanctions/ Penitentiary-Idrizovo	179	9	21	30	30	90
	DES: Directorate for Execution of Sanctions/	26	0	2	3	5	10

	Penitentiary-Ohrid						
	DES: Directorate for Execution of Sanctions/ Penitentiary-Skopje	97	0	2	3	9	14
	DES: Directorate for Execution of Sanctions/ Penitentiary-Stip	49	0	3	5	7	15
	DES: Directorate for Execution of Sanctions/ Penitentiary-Tetovo	56	3	8	8	9	28
	NEW: Sector for Administrative Affairs and Legal Analysis	0	1	2	6	6	15
07002: Directorate for Execution of Sanctions Total		515	16	47	64	80	207
29010: Judiciary	COURTS: Current (existing courts)/ Court administration	2107	20	50	50	50	170
	COURTS: Current (existing courts)/ Judges	658	10	20	30	30	90
	J_ACADEMY: Academy for Training of Judges and Prosecutors	6	5	5	5	10	25
	JC: Judicial Council/ Court administration	14	6	7	7	10	30
	JC: Judicial Council/ Member of the Council	7	6	0	0	0	6
	NEW: Administration Court in Skopje/ Court Administration	0	19	5	5	6	35
	NEW: Administration Court in Skopje/ Judges	0	19	0	0	0	19
	NEW: Appellate Court in Gostivar/ Court administration	0	11	5	5	4	25
	NEW: Appellate Court in Gostivar/ Judges	0	11	0	0	0	11
29010: Judicial Power Total		2792	107	92	102	110	411
31010: Public Prosecutor	NEW: New Higher Public Prosecutor in Gostivar/ Administration	0	4	1	1	1	7
	NEW: New Higher Public Prosecutor in Gostivar/ Higher Public Prosecutors	0	4	0	0	0	4
	NEW: Public Prosecutors Council/ Administration	0	4	1	1	1	7
	NEW: Public Prosecutors Council/ Members	0	9	0	0	0	9
	PP: Public Prosecutor	173	5	25	30	30	90
31010: Public Prosecutor Total		173	26	27	32	32	117
31101: Ombudsman	OMBUDSMAN: Regional Office in Bitola	4	1	0	0	0	1
	OMBUDSMAN: Unit for Analytical Work - Skopje	16	1	0	0	0	1
	OMBUDSMAN: Unit for Human Resources and Financial Affairs	2	1	0	0	0	1
	OMBUDSMAN: Unit for International Cooperation and Public Relations	2	1	0	0	0	1
31101: Ombudsman Total		24	4	0	0	0	4
<b>TOTAL</b>		<b>4209</b>	<b>194</b>	<b>194</b>	<b>221</b>	<b>240</b>	<b>849</b>

## **3.24 JUSTICE, FREEDOM AND SECURITY**

### **INTRODUCTION**

The principle objective of the national policy in the field of justice, freedom and security of the Republic of Macedonia is the establishment of stable democratic institutions and adoption of the instruments for application of *acquis communautaire*, which will guarantee the rule of law and the respect of the fundamental human rights. The realisation of this objective will contribute to the full integration of the Republic of Macedonia in the EU.

In the Republic of Macedonia, as competent institutions for implementing the EU legislation in this area appears the following: The Supreme Court of the Republic of Macedonia and other Courts, the Public Prosecutor's Office of the Republic of Macedonia, the Ministry of Interior, the Ministry of Justice, the Ministry of Foreign Affairs, the Ministry of Finance – Customs Administration, the Ministry of Finance – Financial Police, the Ministry of Finance – Directorate for Prevention of Money Laundering, the Ministry of Finance – Public Revenue Office, the State Audit Office, the Ministry of Labour and Social Policy, the Ministry of Health – Bureau for Drugs, State Statistical Office, State Commission for Prevention of Corruption and the following bodies of the Government of the Republic of Macedonia: National Commission for Integrated Border Management, the Interministerial State Commission for Combating the Illicit Production, Trafficking and Abuse of Drugs and the National Commission for Fight against Trafficking in Human Beings and Illegal Migration.

### **3.24.1 EXTERNAL BORDERS, VISA POLICY, EXTERNAL MIGRATION AND ASYLUM**

#### **CURRENT SITUATION**

#### **LEGISLATION**

#### **EXTERNAL BORDERS**

The regime of crossing the state border, the movement and stay of persons within the border area, as well as the measures needed to secure the national borders are regulated with the Law on Crossing the State Border and Movement in the Border Zone and the secondary legislation related thereto.

According to the National Strategy and the Action Plan for Integrated Border Management, the Law on State Border Surveillance has been adopted, regulating the state border surveillance, the cooperation between the state bodies competent for management of the state border as well as the competences of the police interior and those in the field of international police cooperation. This Law entered into force on 16 June 2006 and will be applicable as of the 01 April 2007.

The Law on State Border Surveillance is partially aligned with the Convention Implementing the Schengen Agreement and the Schengen Borders Code (562/2006). Full harmonisation with the EU legislation will be achieved by amending the relevant Law in terms of aligning and adjusting the legal terminology, records and timetables of their management and the border checks of certain categories of persons.

The following by-laws related to the Law on State Border Surveillance have been adopted:

- Rulebook on the mode of security of the state border and control of the crossing of the state border (Official Gazette of the Republic of Macedonia No. 3/2007 since 10 January 2007);
- Rulebook on the mode of issuing a badge to employees performing business activity in the area of the border crossing, and the format and contents of the application form for issuing the badge and the form of the badge (Official Gazette of the Republic of Macedonia No. 3/2007 since 10 January 2007), and
- Rulebook on the manner of determining and resolving border incidents (Official Gazette of the Republic of Macedonia No. 6/2007 since 18 January 2007)

With regard to improvement of the IBM System, categorisation of the border crossings has been determined (infrastructural, physical and technical conditions) adopted by the Government of the Republic of Macedonia on 7 June 2006.

The Ministry of Interior has prepared a draft text of the Decree on the standards and norms on border crossings. The Decree is in the stage of inter-ministerial consultation. The Law on Crossing the State Border and Movement in the Border Zone and the by-laws related thereto will cease to have effect as from application of the Law on State Border Surveillance.

In addition to these by-laws, the act - Standard Operational Procedures and Actions for Performing Border Control and Securing the State Border, which is in the preparation stage, will be drafted by the end of February 2007.

With regard to neighbouring area cooperation in the field of integrated border management, bilateral agreements on maintaining, reconstruction and replacement of the border signs with Albania, Bulgaria, Greece and Serbia have been signed.

The demarcation of the border of the Republic of Macedonia in the section with Kosovo, as a technical issue, is planned to be solved within the framework of the Plan of the Special Representative of the United Nations for Kosovo, which is in compliance with the request/expectation of the Republic of Macedonia with regard to this issue. According to that document, Macedonia and

Kosovo within 120 days are to set up mixed/joint commission. The Commission would have to do the demarcation within one year.

Pursuant to the bilateral agreements with Albania, Bulgaria and Greece, standing mixed border commissions have been set up, whose principle competence is maintenance, reconstruction and replacement of the border marks (signs), whereas Mixed Commission has been set up with Serbia for demarcation of the border in the section with Kosovo, assigned for the final stage. These activities are regulated in the bilateral Agreement on Demarcation of the Border Line, deposited in the United Nations.

At the same time, bilateral agreements with the Governments of Bulgaria, Albania and Greece have been signed, on preventing and resolving incidents on state border and Protocols on determining the guidelines, manner and order of cooperation regarding border control and prevention of illegal migration between the MIs of the Republic of Macedonia, Albania and Bulgaria. A Memorandum of Understanding, an Interim Protocol on Police Cooperation and an Interim Protocol on Establishing Two Joint Sub-Committees for Promoting Police Cooperation have been signed with UNMIK.

Pursuant to the recommendations on strengthening the regional police cooperation, an Agreement on Cross-Border Police Cooperation with the Republic of Bulgaria was signed on 3 June 2006.

With regard to interministerial cooperation, a series of texts on memoranda of cooperation between relevant bodies involved in the border control have been signed, as follows:

- Memorandum of Understanding between the Ministry of Interior and the Ministry of Finance – Customs Administration (draft-version).
- Memorandum of Understanding between Ministry of Agriculture, Forestry and Water Economy and the Ministry of Finance – Customs Administration (draft-version).
- Memorandum of Understanding between the Ministry of Health, the Ministry of Finance – Customs Administration, the Ministry of Interior and the Radiation Safety Directorate (draft-version).
- Memorandum of Understanding between the Ministry of Health and the Ministry of Interior (draft-version).

Telecommunications link has been provided between the border crossing points and the Ministry of Interior, facilitating the transfer of data from the border crossing points to the Central Database and vice versa. Upon a proposal of the Nation Commission for Integrated Border Management the Government of the Republic of Macedonia adopted a draft Study on Information System for IBM with guidelines and recommendations. The activities related to establishing the TETRA System are currently ongoing unimpeded. The evaluation of the bidders has been completed and the successful bidder selected. At the moment, the deadline for filing appeals is ongoing.

The Republic of Macedonia consistently implements the obligations provided for in the Way Forward Document (Ohrid Border Process).

## **VISA POLICY AND EXTERNAL MIGRATIONS**

A new Law on Aliens has been adopted that regulates the conditions for entry, exit and stay of aliens in the Republic of Macedonia as well as their rights and obligations. The Law is aligned with a number of EU measures<sup>20</sup> and will be applied from 31 March 2007. The Law on Movement and Residence of Aliens shall cease to have effect as from the application of this Law.

The adoption of the by-laws related to the Law on Aliens has been foreseen within six months from the date of its entry into force. The Rulebook on the house rules in reception centres for aliens (Official Gazette of the Republic of Macedonia No. 6/2007) is one of the adopted foreseen by-laws. The draft-versions of others by-laws are prepared.

Readmission Agreements have been signed with Belgium, The Netherlands, Luxemburg, Spain, Poland, Austria, Denmark, Sweden and Norway. So far, the Republic of Macedonia has ratified 14 readmission agreements with 16 EU Member States and 6 agreements for readmission with non-member countries. The draft-texts for signing the Readmission Agreement with Bosnia and Herzegovina, Moldova and Ukraine have been aligned.

Pursuant to the recommendation included in the Report on European experts engaged in the VISA Module for the Republic of Macedonia (drafted within the Regional CARDS, adopted in December 2005), the Republic of Macedonia should gradually continue the alignment of its visa policy with that of the EU, taking into consideration its national interest and the EU Partnership. Therefore, the Government of the Republic of Macedonia adopted a Plan on liberalisation of the national visa regime with the EU visa regime.

At the same time, the visa regime to all EU Member States (27 in total) was abolished unilaterally, indicating that EU Member States are on the list whose citizens do not need a visa to enter the Republic of Macedonia. With regard to those persons whose

<sup>20</sup> 31996E0197, 32002X1216, 31995R1683, 32002R0334, 32002D0585, 32002D0586, 32002X1216, 31994D0795, 32002R1030, 31996Y0318, 31996Y0919, 31996Y0919, 31997Y0719, 31997Y1216, 31998D0701, 91999JHA1002, 32001L0051, 32002F0946, 32002L0090, 32001L0040, 31996Y0110, 31996Y0919, Convention Implementing the Schengen Agreement of 14 July 1985 (OJ L 239/19.22.9.2000); (SCH-Com-ex (93)21.; (SCH-Com-ex (93) 24); Recommendations and Best Practices of the Council of the European Union for control of the external border, expulsion and readmission of February 2002.

entry in the Republic of Macedonia is refused, the Ministry of Interior has a list of persons who are refused an entry in the country and a list of countries for whose citizens a consent is necessary. The list is updated regularly. The Ministry of Foreign Affairs, when issuing a visa, cooperates with the Ministry of Interior and has regular consultations concerning these lists.

Negotiations on the visa liberalisation regime and the signing of horizontal readmission agreement between the Republic of Macedonia and the EU Member States have commenced. The Ministry of Foreign Affairs is responsible for the visa regime and the Ministry of Interior for the readmission agreement. Visa liberalisation is a transitional stage towards establishing a non-visa regime for travelling of the citizens from the Republic of Macedonia to the EU, in accordance with the Republic of Macedonia's progress in the implementation of relevant reforms.

## PERSONAL DOCUMENTS

Personal documents of the citizens of the Republic of Macedonia are regulated by several laws in competence of the Ministry of Interior:

- the Law on Personal Identity Card (Official Gazette of the Republic of Macedonia, No. 8/95, 38/02, 16/04, 12/05),
- the Law on Travel Documents of the Citizens of the Republic of Macedonia (Official Gazette of the Republic of Macedonia No. 67/92, 20/03, 46/04) and
- Law on Road Traffic Safety (Official Gazette of the Republic of Macedonia No. 14/98, 38/02 and 38/04).

According to the need for harmonisation of the national legislation in the area of citizen's personal documents with ICAO standards and ISO Regulations of the EU, as well as creating formal-legal preconditions for implementation of the Project for new personal identification documents, amendments to the aforementioned laws is foreseen.

For full compliance of the Law on Citizenship of the Republic of Macedonia with the European Convention on Citizenship, a Law on Amending the Law on Citizenship of the Republic of Macedonia is adopted. The Republic of Macedonia applies the Convention for issuing birth certificates in several languages intended for use abroad.

Besides the laws mentioned above, by-laws exist that regulate this area.

## ASYLUM

The Law on Asylum and Temporary Protection regulates the conditions and procedures for granting and cessation of the right to asylum of an alien or stateless person seeking recognition of his/her right of asylum in the Republic of Macedonia as well as the rights and obligations of the asylum seekers and the persons who have been recognised the right to asylum in the Republic of Macedonia. The Law has been harmonised with a number of EU measures<sup>21</sup>, and with a set of international instruments ratified by the Republic of Macedonia<sup>22</sup>.

According to the statistical data, over 50% of the asylum seekers who had applied for recognition of their right to asylum in 2003 after the adoption of the LATP, obtained the right to asylum for the reason of humanitarian protection. It is established that the tendency with regard to the number of persons who applied for asylum has severely decreased since 2003 (1153 applications), 2004 (30) and 2005 (13). ). With the 31.12.2006 inclusive, 1133 persons have been recognised the right to asylum for the reason of humanitarian protection, 17 persons have been recognised the right to asylum – refugee status, for 217 persons Decision on cessation of the right to asylum has been made, and for 32 persons the procedure on decision-making upon their application is in its course.

The single binding by-law<sup>23</sup> has been adopted on the basis of this Law. The Ministry of Interior and the Ministry of Labour and Social Policy in cooperation with the UNHCR and EU experts have drafted a Manual for Reception Centres for asylum seekers and Manual for implementation of the Law on Asylum and Temporary Protection.

## STRATEGIC DOCUMENTS

- National Strategy on Integrated Border Management, adopted by the Government of the Republic of Macedonia, 22 December 2003.
- National Action Plan for Integrated Border Management, adopted by the Government of the Republic of Macedonia, 06 October 2005.
- National Action Plan of the Republic of Macedonia on Migration and Asylum.

<sup>21</sup> 32003L0086, 32003L0009, 32001L0055, 31995Y1007 and 1996Y0919(05).

<sup>22</sup> Convention on the Refugee Status, 1951 supplemented with the Protocol thereto, 1967; United Nations Convention Against Torture and Other Forms of Cruel, Inhuman and Humiliating Treatment or Punishment; International Agreement on Civil and Political Rights; International Agreement on Economic, Social and Cultural Rights; United Nations Convention on the Elimination of the Discrimination Against Women; United Nations Convention on the Rights of the Children and the two Optional Protocols thereto; 1949 Geneva Convention including the Protocols I and II; European Convention on Human Rights and Fundamental Freedoms and the Protocols thereto under numbers 1, 4, 6, 7, 11, 12, 13 and 14; European Convention on the Prevention from Torture and Inhuman or Humiliating Treatment or Punishment; European Social Charter, 1961 and the 1991 Protocol amending and consolidating the European Social Charter; the Republic of Macedonia has also signed the Optional Protocol to the United Nations Convention on the Elimination of the Discrimination Against Women; European Convention on Citizenship, 1997.

<sup>23</sup> Rulebook on the Application Form for Recognition of the Right to Asylum, the Manner of Fingerprinting and Photographing Asylum Seekers, the Form and the Procedure for Issuance and Replacement of the Documents of the Asylum Seekers and Persons with Recognised Right of Asylum or Temporary Protection in the Republic of Macedonia and on the Manner of Keeping Records, Official Gazette of the Republic of Macedonia No. 48/04.

- Model Strategy of the Republic of Macedonia for harmonisation with the EU legislation in the area of migration.
- Model Strategy of the Republic of Macedonia for harmonisation with the EU legislation in the area of asylum.
- National Report of the Republic of Macedonia on Visa Module.
- Project - New Personal Documents
- Project - Automated keeping of records
- Project - Register of the population
- Project - Implementing the Law on Weapons
- Project - ON – LINE – E Government
- Way forward document (Ohrid Border Process).

## **INSTITUTIONS**

### **EXTERNAL BORDERS**

The Ministry of Interior is responsible for the implementation of the Law on State Border Surveillance, whereas the Ministry of Foreign Affairs, the Ministry of Defence, the Ministry of Agriculture, Forestry and Water Economy, the Ministry of Health, the Ministry of Transport and Communications, the Ministry of Environment and Physical Planning and the Customs Administration are responsible for enforcement of the Law in the part of Integrated Border Management.

The Sector for Border Affairs operates on a strategic level within the Ministry of Interior, including 4 Regional Centres for Border Affairs. Within the Regional Centres for Border Affairs a total of 50 police stations function on strategic level, 28 of which control the state border, 14 police stations for border control, 6 police units for border control and 2 mixed police stations.

So far, a number of training courses have been provided for the employees in the Sector for Border Affairs and in the Regional Centres. The annual curriculum drafted on the basis of analysis worked out by the Sector for Border Affairs provided continuous training for the personnel in the Border Police. The teaching programme commenced to apply from the very establishment of the Border Police (2004).

The Ministry of Foreign Affairs in close cooperation with the Ministry of Interior continues its competence for the cooperation with the neighbouring countries on issues concerning the state border. The National Commission for Integrated Border Management is an auxiliary body of the Government of the Republic of Macedonia, whose scope of operation comprises the measures and activities regarding the development and promotion of the system of integrated border management. The National Commission for IBM is competent for implementation of the National Strategy for IBM and its Action Plan, promotion of the cooperation, data and information exchange and coordination of state bodies having competences in EU affairs, monitoring of the situation with human recourses in state institutions having competences in EU affairs, which are connected with their responsibilities for border management, realisation of international cooperation concerning IBM activities etc.

For the purpose of establishing a National Coordinative Centre for IBM (NCCIBM) and defining its functions and competences, the National Commission for Integrated Border Management has prepared a draft Decision on the establishment of NCCIBM and is preparing the acts also (the process of adopting the decision is in governmental procedure).

### **VISA POLICY AND EXTERNAL MIGRATIONS**

Institutions competent for implementation of the Law on Movement and Stay of Aliens are the Ministry of Interior and Ministry of Foreign Affairs. Pursuant to this Law, the Ministry of Foreign Affairs is competent for issuing visas and for the procedures when issuing visas for entry in the Republic of Macedonia (submission of applications and visa issuing) i.e. duties of the Diplomatic and Consular Missions (DCM) of the Republic of Macedonia abroad. The Ministry of Interior is competent for the control of movement and stay of aliens in the Republic of Macedonia, unless otherwise provided by law.

The visa policy, within the framework of the Ministry of Foreign Affairs, falls under the competence of the Sector for Consular Affairs and International Law, in particular, the Unit for Passports, Visas and Overflights, carrying out activities related to the visa and passport regime with foreign countries, issuance and recording diplomatic and official passports and visas, out-of-schedule flights of foreign aircrafts, legalisation of documents and communication with foreign DCMs and DCMs of the Republic of Macedonia and issuance of visas. According to the new systematisation, the Sector for Consular Affairs and International Law (with 25 employees) is being restructured in 2 organisational forms: Sector for Consular Affairs and Sector for Visa Centre.

The consular affairs related to the issuance of visas fall under the competence of the 37 DCMs of the Republic of Macedonia pursuing consular functions, and the training of diplomatic-consular and administrative officers is conducted prior to their posting for service abroad.

### **PERSONAL DOCUMENTS**

Institution competent for issuance of personal documents in the Republic of Macedonia is the MoI- Sector for Administrative and Supervisory Affairs, within the Ministry of Interior. The Sector for Administrative and Supervisory Affairs has advisory, coordinative and supervisory role in relation to regional units.

## **ASYLUM**

Institutions competent for implementation of the Law on Asylum and Temporary Protection are the following: The Ministry of Interior, the Ministry of Labour and Social Policy, the Ministry of Health and the Ministry of Education and Science. For the purpose of promotion of the system for integration of asylum seekers and refugees with recognised status, a Ministerial Body for Promotion of the System for Integration of Refugees and Aliens<sup>24</sup> has been established. In addition, Reception Centre for asylum seekers has been built, which meets the minimum EU standards concerning reception of asylum seekers.

## **SHORT-TERM PRIORITIES**

### **LEGISLATION**

#### **EXTERNAL BORDERS**

The following by-laws related to the Law on State Border Surveillance will be adopted:

- Rulebook on the format, contents and manner of placement of border boards, signs and other signalisation;
- Rulebook on the manner of placement and use of technical devices and taking photographs, recording and video surveillance of the border crossing points and across the border line;
- Decree on the standards and norms that must be met by the Border Crossing Points for safe, unimpeded and cost-effective performance of the border control.

By the end of 2007, Plans for action in case of emergencies between the institutions having competences for IBM will be prepared.

In the middle of 2007, the use of written manuals regulating border procedures will begin. This represents an activity that refers to the preparation of Operational procedures in accordance to the Schengen Manual. These procedures are kind of written manuals regulating the conduct of police officers while undertaking certain activities.

It is also foreseen to continue with the conclusion of bilateral agreements for cross border cooperation with countries in the region.

#### **VISA POLICY AND EXTERNAL MIGRATIONS**

By mid 2007, the form, contents and by-laws on travel document for aliens as well as licences for approved temporary and permanent stay will be prepared.

Also, the adoption of the Law on Employment of Aliens is foreseen, which will incorporate the European standards and rules regarding the issuance of work permits to aliens. Technical assistance has been approved within the framework of TAIEX Programme and in the course of March, expert mission is expected to assist in drafting the text of the Law.

With regard to the readmission agreements, it is expected that the process of alignment of the text of the readmission agreements with Turkey, Russia, Serbia, Ukraine and Montenegro start.

The Republic of Macedonia will continue its negotiations on visa liberalisation regime and on conclusion of horizontal readmission agreement, pursuant to the Platform of the Government of the Republic of Macedonia.

Also, further harmonisation with the EU negative visa list is necessary.

#### **PERSONAL DOCUMENTS**

For the purpose of achieving alignment of the travel document with the EU standards, the following laws amending the applicable laws that will provide formal and legal preconditions for implementation of the Project - New Personal Documents, have been adopted:

- Law Amending the Law on Travel Documents for the Citizens of the Republic of Macedonia;
- Law Amending the Law on Personal Identification Card;
- Law Amending the Law on Road Traffic Safety.

The Laws mentioned above will provide harmonisation of the Macedonian legislation in the area of personal documents for citizens, i.e. introduction of new personal documents, personal identification cards and driving licences in the Republic of Macedonia and establishment of high-technology centre for production within the Ministry of Interior.

The Ministry of Interior will implement the procedures for issuing personal identification documents in line with the EU regulations and ISO and ICAO standards in this area.

At present, issuing of travel documents is a priority, and in the first half of 2007 urgent amendments to the Law on Travel Documents to the citizens of the Republic of Macedonia has been foreseen as well as harmonisation of the by-laws with the Law in this field.

The overall objective of the Project - New Personal Documents is approximation of the Republic of Macedonia to the European Union and fulfilling one of the conditions for liberalisation of the visa regime.

Specific objectives:

- Development and implementation of the system for collecting citizens' biometric data "in live", (photo signature and fingerprints of two fingers);

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<sup>24</sup> Two representatives from each of the Ministries of Interior, Foreign Affairs, Defence, Labour and Social Policy, Health, the Secretariat for European Affairs, ZELS, the Red Cross, the Supreme Court and other courts in the Republic of Macedonia participate in this body.

- Development and implementation of electronic travel document, new personal identification card and new European driving licence, according to EU, ISO and ICAO standards, recommendations and directives;
- Development and implementation of Centre for Personalisation of Documents in Mol in line with ICAO recommendations;
- Development and implementation of information system for keeping citizens' biometric data;
- Development and implementation of protected information and communication infrastructure, intended for application of the standards for protection of citizens' personal data.

The Project will enhance the capacity and efficiency of the Mol in the procedures for person's identification with indirect positive effect on security. Implementation of such advanced technological project will enhance the institutional capacity of the Ministry of Interior, in terms of protection of the operational procedures, specialised knowledge and protection of the information system. The Republic of Macedonia will have a leadership role in the region in the sphere of implementation of the EU recommendations on biometric information system and electronic travel documents, and an additional argument on the capacity and commitment of the country for obtaining global security.

Implementation of the new travel document has been foreseen for April 2007, and the remaining documents will be implemented 6 months later.

## **ASYLUM**

In the course of 2007, adoption of the Law Amending the Law on Asylum and Temporary Protection of the Republic of Macedonia and amendments of the by-laws have been foreseen. The enforcement of the Law has been planned for 2008 and this will facilitate implementation of Council Directive 2004/83/EC from 29.04.2004.

Besides the implementation of EU measures, in cooperation with the Ministry of Justice and the General Secretariat of the Government of the Republic of Macedonia, the Law on Amending the Law on Asylum and Temporary Protection of the Republic of Macedonia shall consist provisions by which the appeal system in regular and accelerated procedure will provide filing appeal to an administrative court whereas in the regular procedure, the right to file an appeal to the Supreme court of the Republic of Macedonia is still retained.

Even though certain articles in the Law on Aliens refer to subsidiary protection<sup>25</sup>, the forthcoming amendments to the Law on Asylum and Temporary Protection will provide implementation of certain types of subsidiary protection.

For the purpose of full implementation of Articles 10, 11, 12 and 15 referred to in the relevant Directive<sup>26</sup> concerning education of juveniles, employment, professional training and health protection of asylum seekers, the Laws on Primary and Secondary Education, the Law on Social Protection, as well as the Law on Health Insurance and Employment of Aliens will be subject to amending.

The Ministry of Labour and Social Policy in cooperation with the Ministry of the Interior, in order to strengthen the capacities for reception, will prepare a Plan for Acting in Case of Mass Influx of Refugees, which is in its drafting stage.

In the course of 2007, the Ministry of Interior will prepare and adopt a Manual for expulsion of non-approved asylum seekers, in order efficient expulsion of these asylum seekers. At the same time, a Manual for issuing personal documents of asylum seekers and recognised refugees will be prepared and adopted.

The issue of voluntary return of persons seeking asylum in the Republic of Macedonia will be brought up and discussed on the next meeting of the Interministerial Integration Body for Refugees and Aliens in the Republic of Macedonia. The activities to be undertaken will be assisted by certain international organisations, namely IOM and UNHCR thereby preparing common programmes for assistance of asylum seekers that will willingly go back to their country of origin.

Amendments of the Law on Social Protection are in governmental procedure and it is expected to be adopted in March 2007.

## **INSTITUTIONS**

### **EXTERNAL BORDERS**

National Coordinative Centre for Border Management (NCCBM) will be set up in the course of 2007. Therefore, for the purpose of its operationalisation, a Coordinator will be designate, its deputy and engagement of the necessary personnel.

The purpose of the Centre is to facilitate the data and information exchange between the institutions involved in the integrated border management and to coordinate the common activities and operations concerning elimination of incidents on the state border. Representatives from all the institutions involved in IBM will be designated in the NCCBM and they will be qualified by a number of training courses. Also, the possibility to employ liaison officers by the border services of the neighbouring countries is foreseen, so that they participate in the NCCBM operation and coordinate the activities concerning cross border cooperation.

With regard to collection and exchange of data and information concerning border management, the interministerial cooperation will improve by greater involvement of the State Statistical Office.

<sup>25</sup> Article 49, 69, 71, 81 u 107 of the Law on Aliens (Official Gazette of the Republic of Macedonia No. 35/06).

<sup>26</sup> Council Directive 2003/9/EC of 27 January 2003 laying down minimum standards for the reception of asylum seekers (Official Journal L 31 of 6 February 2003).



The annual programme for advanced and special training of the Border Police will enable, during 2007, to be worked on thematic units that, besides other things, are to change the behaviour of police officers from military to civilian approach; this especially refers to the staff taken from the Ministry of Defence. In that regard, important thematic units are the following: Introducing the concept of Integrated Border Management, training on practical use of the Law on State Border Surveillance, working on the new Law on Aliens, working on the Law on Police as well as trainings for the by-laws arising from the laws mentioned above. Also, at tactical level, a decentralised practical training with local instructors will be carried out, dealing with the previously mentioned issues.

## **VISA POLICY AND EXTERNAL MIGRATIONS**

Pursuant to the provisions of the Law on Aliens, the Ministry of the Interior will establish a Reception Centre for Aliens in order to accommodate aliens who cannot be forcibly removed from the territory of the Republic of Macedonia for any reasons, as well as aliens for whom there is an effective decision for expelling, and who do not possess any valid or recognised travel documents. The Reception Centre, in line with its scope of operation, is foreseen to function within the Border Police and will employ 16 officers, overtaken from other institutions.

In 2007 the number of officers in the Section for Aliens within the Ministry of Interior will increase its number for 4 more chief inspectors by reassigning. Furthermore, the new employments will be followed by adequate training concerning the best practices in the Member States of the European Union in this field. Technical equipping of the regional units working in this matter is also necessary.

As a precondition for the visa liberalisation regime with the EU Member States, a Visa Centre and a National Visa Information System will be established within the Ministry of Foreign Affairs. For that purpose, EUR 1,200,000 will be provided through the EU CARDS Programme. The Visa Centre will be located in the Ministry of Foreign Affairs and with regard to its reconstruction and equipping, a donation of EUR 250,000 by the MFA of Luxembourg is expected. Moreover, the Government of the Republic of Macedonia will allocate EUR 300,000 from the Budget for its equipping, and pursuant to the drafted Action Plan it will become functional by the end of 2007. In line with the present systematisation in the MFA, a total of 10 work posts have been foreseen in the Unit for Visa Centre within the Sector for Visa Centre. The employees will commence work in line with the intensity of the development of the activities in the Centre, and in particular with the gradual connection with our DCMs abroad. Taking into consideration that the Centre is planned to commence its activities by the end of 2007, for the current year it is planned that 3 persons are employed in the Unit, and until 2010 this Unit will straighten with 7 persons. Regarding the additional staffing in the Sector for Consular Affairs -Ministry of Foreign Affairs, with the 2010 inclusive, 10 new employments are planned, of which 3 will be provided by the end of 2007.

Taking into consideration the fact that the capacity of detection of forged documents is inevitable precondition for visa liberalisation regime, budget funds are necessary to procure equipment for detection of forged DCM travel documents.

In order to ensure functioning of a quality model for statistical monitoring of migration, besides the provision of information support, an appropriate training of the personnel in the institutions responsible for statistical monitoring of migration will be provided.

In all activities related with migration, the legal solutions, strategies, plans for development in the field of illegal migration and asylum, co-operation will be established between the competent institutions and the State Statistical Office in the area of migration data, for the purpose of monitoring and application of the requirements of the EU legislation.

At the same time, within the scope of its activities, the State Statistical Office will undergo testing of the possibilities to electronic transfer of data on aliens (contents harmonisation). To that end, it is foreseen to implement the national standards (national classification of occupations, systematic list of municipalities and settlements in the Republic of Macedonia, systematic list of streets) in the records of the Ministry of Interior and all entities in the country.

## **PERSONAL DOCUMENTS**

To realise the project activities<sup>27</sup> in the area of administrative and supervisory affairs, competent services within the Ministry of the Interior as well as other legal entities<sup>28</sup> will be included in the matter. According to the contract with the supplier, the issuance of the new personal documents will begin from April 2007.

## **ASYLUM**

For the purposes of observance of the stipulated obligations concerning the full operationalisation of the Reception Centre for Asylum Seekers, it will be stuffed with 3 new persons and the same time it will be technically equipped, as well as to carry out specific trainings for the staff that is to be employed in this Centre. Aiming at successful realisation of the obligations in this field

<sup>27</sup> Projects "Connecting technical inspection centres with the system of ADP in the MI", "Automated keeping of records" and "Unification of personal registration operations" (taking over regional offices from the Ministry of Justice).

<sup>28</sup> Auto Moto Association of the Republic of Macedonia, Auto Moto companies, Driver's Union of the Republic of Macedonia, Driver's Association of the Republic of Macedonia and DASUC "Boro Petrusovski".

by the end of 2007, 1 new employment will be realised in the newly established Unit for Asylum, Migration and Refugees within the Ministry of Labour and Social Policy and in the Reception Centre for Asylum Seekers.

Regarding the collection and exchange of statistical data and information about asylum seekers, the interministerial cooperation with the State Statistical Office will be strengthened, in terms of exchange of statistical data given in numbers - on the number of applications, gender, age but not data on personal names, reasons why applied or whether they did or did not received asylum status after application.

## **MEDIUM-TERM PRIORITIES**

### **LEGISLATION**

#### **EXTERNAL BORDERS**

By the middle of 2008 drafting "Schengen Action Plan" has been foreseen.

According to the protocols adopted with the neighbouring countries in each meeting of the Standing Mixed Border Commissions, it is foreseen in the period from 2007 to 2009 to arrange the border, which will cover replacement, marking and maintenance of the border marks (signs) and cleaning and cutting the trees and vegetation in 6-meter width on the common border, as well as special placement of border buoys on the Prespa and Ohrid Lakes. The Government of the Republic of Macedonia has provided funds for the purpose for the next three years.

### **INSTITUTIONS**

#### **EXTERNAL BORDERS**

Set-up of information and technological IBM structure and preparing an information system for integrated border management (border operations software) is planned.

For the purpose of strengthening the capacity for detection of false and forged documents, there is a plan for development of centralised electronic system for registering and recording information about detection of false and forged documents.

There is a need of budget funds for procurement of equipment for state border surveillance as well as equipment for the border crossing points and DCMs for the purpose of detecting forged travel documents as well as further training of the Border Police staff.

Implementation of the activities arising from the implementation of the Schengen Borders Code and the Schengen Action Plan is due to be realised.

It is necessary to improve the infrastructure, construction and reconstruction of the border crossing points by the Ministry of Transport and Communications.

On the basis of annual programmes prepared according to prior analyses, continuous training of the Border Police staff is to be realised and work on thematic units that further on, are to change the behaviour of police officers from military to civilian approach as well as their education on the use of the Law on State Border Surveillance, the Law on Aliens, the Law on Police and by-laws related thereto. At the same time, at tactical level, a decentralised practical training with local instructors will be carried out, dealing with the previously mentioned issues.

## **VISA POLICY AND EXTERNAL MIGRATIONS**

In the part of visa policy, the provisions provided for in the Common Consular Instructions shall apply. Implementation of the activities arising from the Schengen Borders Code and the Schengen Action Plan is due to be realised.

A system of visa fees will be introduced pursuant to the principles of Schengen, and application of the principle of reciprocity, where appropriate. A system for risk analysis will be developed and on the basis of the same, the equipment for detection of false or forged documents will be upgraded.

In order to strengthen the migration policy in the Republic of Macedonia, a Resolution on Migration Policy is planned to be adopted. Funds for procurement of equipment concerning detection of forged travel documents in the DCMs will be allocated and further training of the personnel is planned to be realised.

Coordinated programmes and migration, integration and employment policies will be developed and implemented. Regarding this, on the basis of readmission, programmes for assistance to persons returning to the Republic of Macedonia will be developed. As a parallel process, data and information bases will be developed for this category of persons.

The Republic of Macedonia will work on harmonisation of its legislation with the EU regulations on migration, citizenship and asylum statistics. For that purpose, the interministerial cooperation will be strengthened and application of international definitions, standards and classifications referring to aliens will be provided, due to the provision of relevant statistical data. With regard to the interministerial cooperation, establishment of network connection and preparation for unification of software for statistical data collection is soon to be realised thereby applying an integrated approach in the process of data collection. At the same time, the relevant institutions will be provided appropriate information equipment and training to the personnel in the institutions in charge of statistical monitoring of migration. An interministerial working group will be set up to draft annual reports on monitoring the migration flows as well as exchange of the statistical data at national and regional level.

## ASYLUM

By 2010, the Section for Asylum within the Ministry of Interior will employ 9 persons, and the Unit for Asylum, Migration and Refugees within the Ministry of Labour and Social Policy will employ 4 persons.

The Section for Asylum within Mol will extend in terms of systematisation of new organisational units: Section for fulfilment of the obligations pursuant to the Eurodac Agreement and Section for International Cooperation and fulfilment of the obligations arising from the Dublin II Agreement. There is also a need for further staffing of the Unit for Asylum, Migrations and Refugees within the Ministry of Labour and Social Policy in terms of building the capacity for fulfilment of the future obligations to be assigned to this Unit. For the purposes of successful implementation of the new EU measures, as well as commencing the preparations for the planned amendments of the Law on Asylum and Temporary Protection of the Republic of Macedonia (foreseen for the end of 2007), it is necessary to provide training to the staff for the issues of examination of best practices of the EU Member States, reception of applications and best practices in expelling the rejected applicants where the procedure upon their applications is to be considered as final.

### 3.24.2 POLICE COOPERATION AND FIGHT AGAINST ORGANISED CRIME, FIGHT AGAINST TERRORISM, COOPERATION IN THE FIELD OF DRUGS, CUSTOMS COOPERATION, JUDICIAL COOPERATION IN CIVIL AND CRIMINAL MATTERS

#### CURRENT SITUATION

##### LEGISLATION

##### POLICE COOPERATION AND FIGHT AGAINST ORGANISED CRIME

The main competencies of the Ministry of the Interior, its scope of operation, organisation of the Ministry, the special duties and authorisations of the authorised officials, the international cooperation, and the labour relations of the Ministry inclusive are regulated with the Law on Internal Affairs<sup>25</sup>. In accordance with this Law, 15 bylaws intended for its practical implementation were adopted, as well as a number of regulations on implementation of the law by the employees in the Ministry of Interior\*.

The purpose of the Law on Police is establishing an appropriate basis for public security with precisely defined rules of conduct of the police officers. The Law is harmonised with the Universal Declaration of Human Rights<sup>27</sup>, the European Convention for Protection of Human Rights and Fundamental Freedoms<sup>28</sup>, international instruments guaranteeing the corpus of human and civil rights and freedoms, the European Code of Police Ethics as well as the European Police Charter and the Resolution on the Declaration on the Police.

At 16 January 2007 the Republic of Macedonia and the European Police Office - Europol signed a strategic cooperation agreement. The purpose of this agreement is to ensure more efficient exchange of strategic and technical information on crime prevention.

In terms of alignment to the European experience, the Republic of Macedonia is in a development stage of the concept Diplomacy of Security. The concept is developed under provisions referred to in the Law on Internal Affairs and the Law on Police, in the part of development of international police cooperation. The conditions for designation and posting police attachés are regulated by the Rulebook on Police Attachés and Rulebook on the basis and coefficients for salaries.

The Republic of Macedonia is a signatory of the Police Cooperation Convention for South-East Europe<sup>29</sup> that ensures direct police communication between police officers of two countries, direct information exchange, mixed patrols, joint police activities in the territory of one of the countries, using interoperational means of communication etc.

Furthermore, in the part of police cooperation, the Republic of Macedonia has signed agreements with the following countries: Republic of Albania<sup>30</sup>, Republic of Greece<sup>31</sup>, Republic of Bulgaria<sup>32</sup>, Serbia and Montenegro<sup>33</sup> and UNMIK<sup>34</sup>.

<sup>25</sup> (Official Gazette of the Republic of Macedonia No. 19/95, 15/97, 55/97, 38/02, 13/03 and 19/04).

\* Review of the bylaws adopted pursuant to the Law on Internal Affairs is included in the List of existing legislation (Chapter 24. Justice, freedom and Security, Area: Police cooperation and fight against organized crime).

<sup>27</sup> Adopted by the UN General Assembly on 10 December 1948, thereby enabling accomplishment of the general standard for observance of the fundamental human rights and freedoms.

<sup>28</sup> Concluded on 4 November 1950, in Rome, entered into force on 3 September 1953. Ratified by the Republic of Macedonia in 1997 (Law on Ratification of the Convention for protection of the human rights and fundamental freedoms and of the First Protocol, Protocol No 4, Protocol No 6, Protocol No 7 and Protocol No 11 annexed to the Convention, Official Gazette of the Republic of Macedonia No 11/97 and Law on Ratification of Protocol No 12 to the Convention, Official Gazette of the Republic of Macedonia No. 30/04).

<sup>29</sup> May 2006

- <sup>30</sup> Agreement between the Government of the Republic of Macedonia and the Council of Ministers of the Republic of Albania on cooperation in the fight against terrorism, organized crime, trafficking in narcotic drugs, psychotropic substances and precursors, illegal migration and other crimes, concluded in 2004.
- Agreement between the Government of the Republic of Macedonia and the Government of Republic of Albania on maintenance, reconstruction and demarking of the border line and border signs on Macedonian-Albanian state of border from 04.12.1997, ratified 11.02.1998.

With regard to the international cooperation in the fight against organised crime, a number of bilateral agreements have been concluded.<sup>35</sup>

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- *Agreement between the Government of the Republic of Macedonia and the Government of Republic of Albania on regulation of border zone circulation of persons from 04.12.1987, ratified on 19.03.1998.*
  - *Agreement between the Government of the Republic of Macedonia and the Government of Republic of Albania on prevention and resolving incidents on Macedonian-Albanian state border from 04.12.1997, ratified on 11.02.1998.*
  - *Agreement on cooperation between the Ministry of Interior of the Republic of Macedonia and the Ministry of Public Order of the Republic of Albania from 16 July 2000. On the basis of this Agreement, on 16 July .2000, Protocol on determining guidelines, manner and order of cooperation in the area of border control and prevention of illegal migration was signed between the Ministry of Public Order of the Republic of Albania and Ministry of Interior of the Republic of Macedonia and another Protocol on Cooperation in the area of security between the Ministry of Interior of the Republic of Macedonia and the Ministry of Public Order of the Republic of Albania and the National Information service of Albania from 05.06.1992.*
  - <sup>31</sup> *Protocol on Cooperation in the area of security between the Ministry of Interior of the Republic of Macedonia and the Ministry of Public Order of the Republic of Greece signed on 8 July 1998.*
  - *Interim Agreement from 13 September 1995, by which the Republic of Macedonia and the Republic of Greece confirmed the common existing border as permanent and inviolable international border.*
  - *Protocol on border cooperation from 23 June 1998*
  - <sup>32</sup> *Agreement on cooperation between the Ministry of Interior of the Republic of Macedonia and the Ministry of Interior of the Republic of Bulgaria from 20.10.1992, ratified on 1993.*
  - *Protocol on determining guidelines, manner and order of cooperation in the area of border control and prevention of illegal migration signed in 1992.*
  - *Agreement between the Government of the Republic of Macedonia and the Government of the Republic of Bulgaria on taking over persons residing illegally, from 04.06.2001, ratified in 2002.*
  - *Agreement between the Government the Republic of Macedonia and the Government of Republic of Bulgaria on measures for prevention and resolving border incidents on Macedonian-Bulgarian border from 15.05.2000, ratified on 23.01.2002.*
  - *Agreement between the Government the Republic of Macedonia and the Government of Republic of Bulgaria on keeping, maintenance, reconstruction and demarking the border line and border signs on the Macedonian-Bulgarian state border, signed on 15.05.2000, ratified on 23.01.2002.*
  - *Agreement between the Government the Republic of Macedonia and the Government of Republic of Bulgaria on cooperation in the fight against terrorism, organised crime, illegal trafficking in narcotic drugs, psychotropic substances and precursors, illegal migration and other crimes, from 26.02.2002,*
  - *Protocol between the Police Department – Sector for Border crossing points within the Ministry of Interior of the Republic of Macedonia and the National Service “Border Police” within the Ministry of Interior of the Republic of Bulgaria for cooperation in 2003.*
  - *Agreement between the Government the Republic of Macedonia and the Government of Republic of Bulgaria on opening two new international border crossing points between the two countries, ratified in 1999.*
  - <sup>33</sup> *Agreement between the Government the Republic of Macedonia and the Government of Republic of Montenegro on cooperation in the fight against terrorism, organised crime, illegal trafficking in narcotic drugs, psychotropic substances and precursors, illegal migration and other crimes from 10.06.2003, ratified on 22.07.2003.*
  - *Memorandum between the Government the Republic of Macedonia and the Government of Republic of Serbia on cooperation in the fight against terrorism, organised crime, illegal trafficking in narcotic drugs, psychotropic substances and precursors, illegal migration and other crimes, concluded on 25.07.2003 (not subject to ratification).*
  - *Agreement between the Republic of Macedonia and Federal Republic of Yugoslavia on spreading and description of the state border from 23.02.2001, ratified in March 2001.*
  - <sup>34</sup> *Protocol for cooperation between the MI of the Republic of Macedonia and UNMIK (27.11.2003)*
  - *Memorandum of Understanding between the Republic of Macedonia and UNMIK from 2001.*
  - *Protocol for Police Cooperation from 29.08.2002.*
  - <sup>35</sup> *The Government of the Republic of Macedonia and the Government of the Republic of Slovenia on cooperation in the fight against terrorism and organised crime (1995);*
  - *The Government of the Republic of Macedonia and the Government of the Republic of Croatia on the fight against trafficking in narcotic drugs, psychotropic substances against international terrorism and organised crime (1997);*
  - *Government of the Republic of Macedonia and the Government of the Republic of Bulgaria on cooperation in the fight against terrorism, organised crime, trafficking in narcotic drugs, psychotropic substances and precursors, illegal migration and other crimes (2003);*
  - *Government of the Republic of Macedonia and the Government of Republic of Montenegro on cooperation in the fight against terrorism, organised crime, trafficking in narcotic drugs, psychotropic substances and precursors, illegal migration and other crimes (2003);*
  - *Government of the Republic of Macedonia and the Government of Republic of Serbia on cooperation in the fight against terrorism, organised crime, trafficking in narcotic drugs, psychotropic substances and precursors, illegal migration and other crimes;*
  - *Government of the Republic of Macedonia and the Government of Republic of Romania on cooperation in the fight against terrorism, organised crime, trafficking in narcotic drugs, psychotropic substances and precursors, illegal migration and other illegal activities;*
  - *Government of the Republic of Macedonia and the Council of Ministers of Republic of Albania on cooperation in the fight against terrorism, organised crime, trafficking in narcotic drugs, psychotropic substances and precursors, illegal migration and other illegal activities.*
  - *In 1995 the Agreement between the Government of the Republic of Macedonia and the Government of the Republic of Slovenia on cooperation in the fight against terrorism, trafficking in drugs and organised crime was ratified;*
  - *In 1997 the Agreement between the Government of the Republic of Macedonia and the Government of the Republic of Croatia on the fight against international trafficking in drugs and psychotropic substances, international terrorism and organised crime was ratified;*
  - *In 2000 the Agreement between the Government of the Republic of Macedonia and the Government of the Arab Republic of Egypt on cooperation in the field of the fight against crime was ratified;*

The Criminal Code, Law on Criminal Procedure, Law on Witness Protection, Law on Public Prosecutor's Office, Law on Prevention of Corruption, Law on Prevention of Money Laundering and other Proceeds from Crime, Law on Financial Police as well as Law on Interception of Communications<sup>36</sup> comprise the legal framework providing provisions that regulate the functioning of the system of institutions and incriminations in criminal matter in the fight against organised crime.

The 2004 amendments thereto<sup>36</sup> were aimed at strengthening the measures for prevention and reinforcement of punitive and legal repression and at creation of instruments for fight against criminality, particularly through incorporation of provisions for alternative punishing, criminal liability of legal persons, establishment of the criminal-judicial institute - confiscation of proceeds from crime, to which measures of tracking, freezing and confiscation of illegally acquired assets and incomes precede, determination of new criminal acts and sanctioning of the new forms of money laundering, cyber crime and smuggling of migrants as well as application of special investigation measures.

The 2004 amendments of the Law on Criminal Procedure<sup>37</sup>, apart from the other, were due to establishment of normative basis for the suppression of organised crime and corruption, by determining the application of the specific investigation measures, ensuring protection of witnesses, collaborators of justice and victims, as well as by laying down the procedure for the establishment of the legal persons liability and the procedure of confiscation of proceeds from crime.

Pursuant to the last amendments of the Law on Criminal Procedure, as regards certain precisely defined criminal acts, besides the Ministry of the Interior, the authorisation for prosecution was also granted to the Financial Police and the Customs Administration of the Republic of Macedonia.

On 29 December 2006, a Memorandum of Understanding was signed between the Ministry of Interior and the Ministry of Finance<sup>37</sup>.

The Strategy for Development of the Organised Crime Department (2007-2008) within the Mol is in drafting procedure. This document aims at enhancement or strengthening the capacity of the Department in order more efficient fight against organised and serious crime.

Regarding the legal framework allowing use of tough/harsh investigation techniques, the Republic of Macedonia prepared and adopted a Law on Interception of Communications, Law on Criminal Procedure (articles on Special Investigative techniques), and the Law on Police. Pursuant to them, by-laws operationalising certain provisions for the laws mentioned above are in process of adoption.

## FIGHT AGAINST TERRORISM

For the purpose of more efficient fight against terrorism in 2006, the legal framework in this area was additionally regulated by adopting 2 new legal texts:

\* Law on Interception of Communications<sup>38</sup>

\* Law on the Prohibition of Development, Production, Storing and Use of Chemical Weapons.

The Republic of Macedonia, in the course of 2006, ratified the following international conventions<sup>39</sup> for the fight against terrorism:

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- In 2004 the Agreement between the Government of the Republic of Macedonia and the Government of the Republic of Romania on cooperation in the fight against terrorism, organised crime, trafficking in narcotic drugs, psychotropic substances and precursors and other illegal activities was ratified;
  - In 2006 the Agreement between the Republic of Macedonia and the Swiss Confederation on police cooperation in the fight against crime was ratified;
  - In 2006 the Agreement between the Government of the Republic of Macedonia and the Government of the Republic of France on cooperation in the area of internal security was ratified.

<sup>36</sup> (Official Gazette of the Republic of Macedonia No 121/06)

<sup>36</sup> (Official Gazette of the Republic of Macedonia No 15/97, 37/96, 80/99, 4/02, 43/03 and 74/04)

<sup>37</sup> So far Memoranda have been signed between the Ministry of Finance – Customs Administration and the Ministry of Interior (04. 07. 2000) on the fight against trafficking in human beings concerning close cooperation for combating this activities;

On 18 November 2004 a Memorandum for Combating Organised Crime and Other Types of Crime in the Republic of Macedonia was signed between the Ministry of Finance and the Ministry of Interior. For the purpose of implementing provisions referred to in the Memorandum for cooperation for combating organised crime and other types of crime in the Republic of Macedonia between MI-CA and MI-Public Security Bureau, and on 13 December 2004 the Protocol for implementation of the Memorandum for cooperation was signed. This Protocol regulates the manner of cooperation, exchange of information, cooperation on the border crossing points, coordination and joint action between these institutions; Memorandum for cooperation in detection and prosecution of perpetrators in the area of organized crime and corruption (Public Prosecutor's Office, the Ministry of Interior, Customs Administration, Public Revenue Office and Directorate for Prevention of Money Laundering) signed on 24 June 2005;

<sup>38</sup> (Official Gazette of the Republic of Macedonia No 121/06)

<sup>39</sup> Republic of Macedonia has ratified the following international conventions for fight against terrorism:

- Convention for the Prevention and Punishment of Crimes against Internationally Protected Persons, including Diplomatic Agents;
- International Convention against the Taking of Hostages;
- Convention for the Suppression of Unlawful Seizure of Aircraft;
- Convention on Offences and Certain Other Acts Committed on Board Aircraft;
- Convention on the Physical Protection of Nuclear Material;
- Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation;

- Convention on the Suppression of Acts of Nuclear Terrorism;
- Convention on Nuclear Safety.

The Convention on the Suppression of Acts of Nuclear Terrorism was ratified on 21 November 2006, and the Convention on Enforced Disappearances is in its ratification stage.

The Government of the Republic of Macedonia concluded agreement for bilateral cooperation for the fight against terrorism with the governments of the following countries: Turkey (1992), Slovenia (1995), Croatia (1997), Bulgaria (2002), Serbia (2003), Montenegro (2003), Romania (2003), Albania (2004).

## COOPERATION IN THE FIELD OF DRUGS

The main objectives of the existing legislation of the Republic of Macedonia regulating this field are protection of the people's health, tackling the social problems and the use of narcotic drugs. The Law on Production and Trafficking in Narcotic Drugs, the Law on Designating Bodies for Conducting Certain Operations in the Field of Production and Trade in Narcotic Drugs, the Law on Precursors and the Law on Health Records constitute the legal framework that governs the production, trafficking and control of narcotic drugs and psychotropic substances. This area is also regulated with a number of by-laws. In addition, the Republic of Macedonia has ratified all three UN conventions<sup>40</sup> in this field. The existing legal framework is partly harmonised with the European legislation. The National Strategy for Control of Drugs in the Republic of Macedonia 2006-2012, was adopted by the Government on 19 December. The National Strategy for Control of Drugs is consistent with the UN Conventions, International Resolutions, protocols and other legal documents ratified by the Republic of Macedonia as well as with the Strategy for control of drugs of the EU 2005-2012 and its Action Plan 2005-2008.

## CUSTOMS COOPERATION

The Customs Law, enforced as of 1 January 2006 governs the rights and obligations of persons and customs authorities as regards goods in passengers' circulation and circulation between the customs territory of the Republic of Macedonia and the foreign customs territories.

The Customs Law led to full harmonisation of the national with the legislation of the European Union, whereas the Council Regulation (EEC) establishing the Community Customs Code (31992R2913) served as a model.

The Decree implementing the Customs Law (mainly harmonised with the Regulation 31993R2454 laying down provisions for the implementation of the Council Regulation (EEC) 2913/92 establishing Community Customs Code is mainly harmonised. The implementation of the new Law on Customs Administration commenced in 2004. With the Decree for its enforcement a basis for efficient operation and execution of tasks that are to be enforced in the customs area was provided.

The Convention on Temporary Admission (Istanbul Convention) has been ratified.

The Customs Administration realises international cooperation with other customs services through the concluded agreements for mutual assistance in customs matters as well as in suppression, investigations and combating customs rules infringement. On the basis of Protocol 5 for Mutual Assistance in Customs Matters as a part of the Stabilisation and Association Agreement between the Republic of Macedonia and the European Communities, cooperation with the EU Member States is being realised.

### Judicial Cooperation in Civil and Criminal Matters

The international legal assistance in criminal cases is granted according to provisions of the Law on Criminal Procedure unless otherwise regulated by the international agreements ratified pursuant to the Constitution of the Republic of Macedonia.

The Law on Civil Procedure of the Republic of Macedonia lays down general provisions regulating the procedures for mutual legal assistance in civil cases mostly in regard to courts jurisdiction. This Law on Civil Procedure contains the provisions contained referred to in the ratified international documents and recommendations provided for in the European legal acts and other international conventions. The Hague Convention on Civil Procedures from 1954 is a principle convention regulating this area.

The Republic of Macedonia has concluded a series of bilateral agreements in the area of civil and criminal law.

The Republic of Macedonia, on the basis of succession, applies all agreements related to this area which were concluded by the former Socialist Federative Republic of Yugoslavia, and are overtaken by Article 5 of the Constitutional Law concerning

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•Protocol for the Suppression of Unlawful Acts of Violence at Airports Serving International Civil Aviation, supplementary to Convention for Suppression of Unlawful Acts against the Safety of Civil Aviation;

•International Convention for the Suppression of Terrorist Bombing;

•International Convention for the Suppression of the Financing of Terrorism;

•International Convention on the Suppression of Acts of Nuclear Terrorism (signed in 2005);

•Convention on Nuclear Safety;

•Convention on the Marking of Plastic Explosives;

•European Convention on the Suppression of Terrorism;

•European Convention on Extradition and the Additional Protocols to the European Convention for Extradition;

•European Convention on Mutual Assistance in Criminal Matters;

•Additional Protocol to European Convention on Mutual Assistance in Criminal Matters;

•Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime.

<sup>40</sup> Single Convention on Narcotic Drugs from 1954 amended by the Protocol from 1972, Convention on Psychotropic Substances from 1971 and the United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances from 1988.

enforcement of the Constitution of the Republic of Macedonia as a Republic Regulation. The Law on International Private Law (phase I), which is in parliamentary procedure, contains appropriate rules for determining applicable law for material and legal relations with an international element, rules for courts jurisdiction and rules for recognition of foreign court decisions. The following EU acts are partly incorporated in the Law: 32001R0044 (Brussels I), 300R1347 (Brussels II) and the Convention on the Law Applicable to Contractual Obligations (Rome 1980).

According to Article 118 referred to in the Constitution of the Republic of Macedonia, ratified international treaties represent a part of the national legislation and cannot be changed by law.

The Republic of Macedonia has ratified the following international conventions in the area of international legal assistance: the European Convention on Extradition with its Protocols; the European Convention on Mutual Legal Assistance in Criminal Matters with its Protocols; the European Convention on Transfer of Convicts with the Additional Protocol; the United Nations Convention Against Torture and Other Forms of Cruel, Inhuman and Humiliating Treatment or Punishment; the European Convention on Laundering, Search, Seizure and Confiscation of Proceeds from Crime; the UN Convention against Corruption; the Civil Convention on Crime: the European Convention on Cyber Crime with its additional Protocol; United Nations Convention against Transnational Organised Crime (Palermo Convention) with its Protocols; Rome Statute of the European Convention on Transfer of Proceedings in Criminal Matters.

## **STRATEGIC DOCUMENTS**

- Police Reforms Strategy;
- Action Plan implementing the Police Reforms Strategy;
- Concrete measures and activities for prevention of organised crime in the Republic of Macedonia;
- Project - Strategy for implementation of the Law on Witness Protection (May 2005);
- Strategy for Combating Illegal Immigration and Trafficking In Human Beings, with an Action Plan;
- Strategic Plan of the Ministry of Interior for the period 2007-2009.
- Project for keeping the secrecy of the identity and preparation of documents for personal identification;
- National conception for security and defence;
- National strategy for fight against money laundering and financing of terrorism;
- National programme for suppression of the abuse of drugs and illicit traffic in drugs;
- Strategy on development of the Customs Administration of the Republic of Macedonia (2004-2008);
- Strategy for judiciary reform with an Action plan.

## **INSTITUTIONS**

### **POLICE COOPERATION AND FIGHT AGAINST ORGANISED CRIME**

The Ministry of the Interior is pursuing its legal competencies in the part relating to internal affairs.

The implementation of the police reform process enabled an establishment of a new organisational structure in the Ministry of the Interior. For that purpose, within the Ministry of the Interior, besides the Bureau for Public Security, with its advisory services competent for strategic, conceptual planning and determination of the general guidelines and operational standards, comprise operative services (Central Police Services, Regional Centres for Border Affairs and Departments for Internal Affairs), as well as services competent for coordination, international cooperation, public relations of the Ministry, i.e. organisational units competent for administrative support and logistics. In accordance with the European standards and guidelines, within the new organisational structure of the ministry, organisational units specialised for certain area have been established (Organised Crime Department, Witness Protection Section, Sector for Criminal Intelligence and Analysis, Unit for Human Resources Management), whose competencies are precisely defined by Law and by-laws.

The further enhancement of the regional police cooperation develops through the programmes and activities of the Police Chiefs of the Region (SEPCA), on a strategic level and through realisation of bilateral and regional police operations.

The European Police College (CEPOL), with the Police Academy of the Republic of Macedonia as a member, will continue its assistance to the national polices in upgrading their knowledge and operational structures.

The following institutions are competent for the fight against organised crime: The Public Prosecutor's Office of the Republic of Macedonia, which comprises a special Unit for Prosecution of Perpetrators of Criminal Acts in the Area of Organised Crime and Corruption, the Ministry of Interior, the Ministry of Finance – Financial Police, Directorate for Prevention of Money Laundering<sup>41</sup> and Customs Administration of the Republic of Macedonia.

The new Law on the Public Prosecutor's Office is in adoption stage thereby undergoing certain changes, which will also pursue modification in systematisation and possible separation of the Unit for Prosecution of Perpetrators of Criminal Acts in the Area of Organised Crime and Corruption as a separate public prosecutor's office with special competences. At the same time, it will follow

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<sup>41</sup> (See Chapter 4. Free Movement of Capital for more details)

an establishment of Public Prosecutor's Council which will radically change the manner and the procedure of selection and dismissal of public prosecutors.

The Organised Crime Department within the Ministry of Interior is competent for strengthening the capacity for the fight against organised crime, comprising of the following organisational units: Financial Crime Sector; Sector for Illegal Trafficking in Weapons and Drugs; Sector for International Police Cooperation; Sector for Violent Crime; Sector for Criminal Intelligence and Analysis; Sector for Special Investigative Techniques, Sector for Trafficking in Human Beings and Extortions and Sector for Target Searches. Adjusting to the professional standards of modern police services, the Witness Protection Section is organisationally replaced within the Central Police Services.

The Section for Cyber Crime and Forgeries with 2 persons employed is within the Organised Crime Department –Financial Crime Sector. The competence of the Section is fight against all types of cyber crime in terms of information stealing, breaking into computer networks for the purpose of generating other effects (espionage, misuse of banking accounts, credit cards, electronic signatures etc.) as well as protection from Euro and other currencies counterfeiting. In the Sector for Criminal Intelligence and Analysis 15 persons are employed.

The Department for Special Investigative Techniques is established for the part of using special investigative measures. Under its Action Plan, the Department has 3 Units:

- Unit for Monitoring and Operative Surveillance;
- Unit for Undercover Operations; and
- Unit for Electronic Surveillance.

Currently, two Units are functional (Unit for Monitoring and Operative Surveillance and the Unit for Undercover Operations) with 64 employees.

The Financial Police is a body within the Ministry of Finance, comprising the following units:

- Unit for Criminal Intelligence and Analysis;
- Unit for Financial Investigations;
- Unit for Computer Expertise.

## **FIGHT AGAINST TERRORISM**

In the Republic of Macedonia, the institutions listed below appear as competent institutions undertaking measures for fight against terrorism: The Ministry of Interior (Administration for Security and Counter-Intelligence and Special forces - Special Tasks Unit and Rapid Deployment Unit), Ministry of Foreign Affairs, Ministry of Defence (Military Service for Security and Intelligence) (Military Service for Security and Intelligence), Ministry of Justice, Ministry of Finance (Financial Police, Customs Administration, Directorate for Prevention of Money Laundering, National Bank of Republic of Macedonia), the Intelligence Agency and within the Public Prosecutor's Office of the Republic of Macedonia – Unit for Prosecution of Perpetrators of Criminal Acts in the Area of Organised Crime and Corruption, as well as the Interministerial coordinative body for coordination of activities in the fight against international terrorism.

In that direction, the security services of the Republic of Macedonia, fulfilling their obligations for suppression of terrorism, continuously exchange information on revealing the organisers, perpetrators and logistics teams of the terrorist activities. The exchange of data, knowledge and information is made by designated liaison officers, and direct cooperation with the services and agencies from the following countries has been established: Albania, Bulgaria, the United Kingdom, Germany, Greece, Italy, the USA, the Russian Federation, France, Turkey, and Croatia. Cooperation and direct contacts have been established with the authorised representatives of Serbia and Montenegro, Slovakia and the UN Mission in Kosovo – UNMIK.

Liaison officers from the Ministry of Interior and the Customs Administration of the Republic of Macedonia have been appointed in the SECI Centre in Bucharest, whereas a representative from the Antiterrorism Section has participated in the operation of the "Antiterrorism Task Force".

## **COOPERATION IN THE FIELD OF DRUGS**

In accordance with the existing legislation, the Ministry of Health provides for the conditions for production and trafficking of narcotic drugs. The procedure for issuing authorisations for production, import or export of narcotic drugs is conducted by the Bureau of Medicines, whereas the State Sanitary and Health Inspectorate carries out control and surveillance of the production and trade in poisons as well as of the records. The Ministry of Health through the Bureau of Medicines files reports on the trade and production of narcotic drugs, psychotropic substances and precursors to the International Board for Narcotics.

The Ministry of Agriculture, Forestry and Water Economy which is competent for determination of the areas sown under opium poppy, and concludes individual contracts with the producers of opium poppy, keeps records thereon and submits the data from the records to the Ministry of Health.

There are 4 authorised laboratories for laboratory analysis on narcotic drugs, psychotropic substances and precursors, two of which perform analysis and control of pharmaceuticals containing narcotic drugs and psychotropic substances and precursors.



One laboratory is located at the Pharmaceutical Faculty and the other in the Republic Institute for Health Protection. The Laboratory located in the Institute for Judicial Medicine performs analysis on the presence of narcotic drugs, psychotropic substances and precursors in biological material. The laboratory situated within the Ministry of Interior is responsible for laboratory analysis of narcotic drugs, psychotropic substances and precursors in illegal circulation. The laboratories have mutual cooperation, exchange of experience, joint use of the existing equipment if required for specific purposes.

The Republic Institute for Health Protection keeps records and pursues statistical data processing about drug-addicts, applying the 5 epidemiological addiction indicators. These data represent the basis for drafting the Annual Report Questionnaire (ARQ), obligation arising from the UN Conventions.

The State Interministerial Commission for fight against drugs, within its scope of work, has an obligation to prepare an Annual (ARQ) and Biannual Report to be submitted to the UNODC.

The Annual Report is made up of three parts:

- Legal and administrative measures,
- Abuse of drugs, and
- Illegal drug supplying.

All parts of the Report are prepared in mutual cooperation between institutions represented in the State Interministerial Commission for fight against drugs, but the greatest part of the responsibility is to: the Ministry of Justice and the Ministry of Health (for the first part); the Ministry of Health (for the second part); the Ministry of Interior and Ministry of Justice (for the third part).

Pursuant to the Conventions, the Ministry of Health and the Ministry of Interior participate in international coordinative operations: Operation Purple - focusing on illicit use of potassium permanganate for production of cocaine; Operation Topaz, focusing on illicit use of acetic anhydride for the production of heroin and Project Prism - focusing on illicit activities related to synthetic drugs.

## **CUSTOMS COOPERATION**

The Customs Administration which is an authority within the Ministry of Finance of the Republic of Macedonia is the competent institution for enforcement of the customs legislation. The Customs Administration is responsible for the control of the goods crossing the border line at the official border crossing points, and at the same time is responsible for the accomplishment of a number of other tasks, prescribed under the new laws and regulations.

All departments within the Customs Administration, in particular the Sector for Control and Investigation, are ex officio included in the fight against frauds. Within the Sector, the following organisational units exist:

- Communication and Coordination Service;
- Customs Intelligence Unit;
- Investigation Unit – Service for Prevention of Business Crime and Service for Prevention of Smuggling;
- Trade Companies Control Unit;
- Operational Affairs Unit;
- Risk Analyses Unit and Analytical and Statistical Service.

## **JUDICIAL COOPERATION IN CIVIL AND CRIMINAL MATTERS**

Central authority in granting international legal assistance on civil and criminal cases is the Ministry of Justice (Sector for International Legal Assistance). Therefore, applications for legal assistance from foreign citizens are submitted to the Ministry of Justice forwarding them to the competent jurisdictional bodies in the Republic of Macedonia. The responses are forwarded in the same manner.

Pursuant to the Law on Litigation procedure, the Criminal Code and the Law on Criminal Procedure, besides the Ministry of Justice, other institutions competent for the judicial cooperation in civil and criminal matters are the following:

- The Supreme Court as the highest court in the country, which ensures uniform application of the laws by the courts;
- The Appellate courts (second-instance courts competent for deciding upon the appeals against the decision of the basic courts);
- The basic courts (first-instance courts competent for deciding in first instance upon the cases under court jurisdiction in criminal, civil cases, extrajudicial matters and misdemeanours);
- The Public Prosecutor's Office of the Republic of Macedonia (as unique and autonomous state body, which prosecutes the perpetrators of crimes and other punishable acts as determined by law);

The Sector for International Legal Assistance within the Ministry of Justice employs 10 persons and comprises three units: Unit for Extradition, Unit for Transfer of Convicts and Unit for Proceeding Appeals on Civil Cases.

## **SHORT-TERM PRIORITIES**

### **LEGISLATION**

### **POLICE COOPERATION AND FIGHT AGAINST ORGANISED CRIME**

Pursuant to the Law on Police, adoption of number of by-laws is planned with which, within 12 months from adoption, will provide implementation.

Amending the Law on Internal Affairs is planned for November 2007, in accordance with the need for its alignment with the Law on Police.

On the basis of the Memorandum between the Ministry of Interior and the Ministry of Finance, the bodies within these state administrative bodies are obliged to prepare and sign cooperation protocols. A cooperation protocol between the Directorate for Money Laundering Prevention and the Ministry of Interior (Organised Crime Department) will be prepared and signed. This protocol will define the manner of previous cooperation between the Ministry of Interior and the Directorate for Money Laundering Prevention with the purpose of strengthening the inter-institutional cooperation.

At the beginning of 2007, the Republic of Macedonia will apply for conclusion of an Agreement for Cooperation with Eurojust. In terms of signing the Operational Agreement with Europol, the activities to create preconditions for its signing will be further implemented: creating data bases, preparation of legal acts and data physical protection system, i.e. increasing the level of security of the facilities in which the data bases are located. Pursuant to the Law on Protection of Personal Data, appropriate protection from intrusion into the computer system is necessary, development of a Rulebook on the contents and manner of keeping records, exchange of personal data with the other administrative bodies on the one side, and with this international police organisation on the other side. For the purpose of implementation of these activities, a contact person for Europol will be appointed on behalf of the Ministry, who during dissemination of data will comply with the norms laid down in the Law on Security of Classified Information<sup>42</sup>. Also, an inter-institutional body for cooperation among the bodies implementing the law will be established, and activities for signing memoranda for cooperation with the Ministry of Interior (Mol), Customs Administration (CA) and Financial Police (FP) will be implemented.

By signing the Strategic Agreement, the Ministry of Interior will work on meeting the conditions for signing the Operational Agreement and in cooperation with experts of this police organisation, it will implement the recommendations arising from the screening to be performed in this organisational form.

Considering planned activities and international cooperation realised through INTERPOL, the necessary conditions for 24-hour performance of the Interpol National Central Bureau in Skopje will be provided.

The Republic of Macedonia will participate at the negotiations concerning the SELEC Convention (Southeast European Law Enforcement Centre), prepared by experts within the European Commission Project for Assistance of SECI, ICMPD - International Centre for Migration Policy Development. The first meeting of the Expert Working Group will be held in February 2007. The Working Group should complete the negotiations until September 2007, after which the text of the Convention will be presented at the 25th session of JCC (Joint committee cooperation) and submitted to the countries signatories of the SECI Agreement.

The Unit of Human Resources Management within the Ministry of Interior (Mol) works on development and future implementation of the Strategy for human resources and trainings of the police.

The Witness Protection Section in cooperation with the Sector for Legal Affairs and Personnel Affairs within the Ministry of Interior develops a Rulebook on the form and contents of the questionnaire to be filled in by the individual with whom an agreement is to be made.

Pursuant to the Law on Courts, specialised court units responsible for organised crime trials will be established in five Basic Courts: Skopje 1, Bitola, Tetovo, Strumica and Stip.

The Law on Financial Police (second phase) will be adopted in the second quarter of 2007. The Financial Police will adopt the Draft Rulebook on carrying, maintaining and use of firearms and other forcible means, arising from the new Law on Police.

In the period between October 2006 and June 2007, the activities for development of a) Project - Activities for development of undercover documents and b) Manual for the manner of procedure of the responsible organisational units of the Ministry of Interior (Mol) in the development of undercover documents procedure are ongoing.

During the operationalisation of the Strategy and the Action Plan for fight against trafficking with human beings, there will be provision of information about activities of NGOs, governmental and international organisations involved in the fight against trafficking with human beings in the country, as well as harmonisation of the national legislation with the European Union legislation. In the field of protection and prevention of the trafficking victims, the activities will be directed towards strengthening the capacity of the existing SOS help line for trafficking victims and prevention.

Having regard the harmonisation level of activities undertaken in relation to those prescribed in the minimal standards for fight against this form of organised crime, and for the purpose of its full compliance, there will be strengthening of the interinstitutional cooperation for more successful fight against human trafficking as well as amendments to several legal texts<sup>43</sup>, in order to harshen the criminalisation of all activities giving special emphasis on activities for elimination of the trafficking of children. The need for undertaking activities for harshening the penalty policy for these severe forms of organised crime is for the purpose of

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<sup>42</sup> Official Gazette of the Republic of Macedonia No. 09/04.

<sup>43</sup> The Criminal Code, the Law on Criminal Procedure, the Law on Family, the Law on Social Protection and the Law on Child Protection.

dissuading the criminal structures from perpetrating this type of criminal acts and at the same time, to establish proportionality of the sanctions with the seriousness of the criminal act.

In its intention for serious and sustainable efforts for prevention of human trafficking in the area of preventive activities, it is necessary to prepare norms providing distinction between the victim and the supposed victim of trafficking, as well as to educate the vulnerable groups about the modalities used by the criminal organisations in recruitment of their future victims, with an intention not to be a part of the chain of this sophisticated form of organised crime. Therefore, future activities in training and building capacities at universities, in courts, social and educational institutions and NGOs in particular are to be taken, as well as establishing data bases on experts and building capacities of the National Commission for fight against human trafficking and illegal immigration.

Concerning the part with cyber crime, the domain of contacts with Internet providers in our country will be regulated during the second quarter of 2007, by signing a Memorandum for cooperation between the Bureau for Public Security – Section for Cyber Crime and the authorised Internet providers.

### **FIGHT AGAINST TERRORISM**

For the purpose of establishing efficient exchange of information about the terrorist groups and their supporting networks, cooperation with the responsible bodies of the Ministry of Interior (MI) for exchange of data and information related to terrorism will be established. Therefore, in accordance with the Memorandum for Understanding with the Ministry of Finance, Protocols for operationalisation of the Memorandum will be concluded, including the Protocol for exchange of information between the Ministry of Interior (Security and Counter-Intelligence Directorate) and the Ministry of Finance (Directorate for Money Laundering Prevention). The activity will be completed by October 2007.

The Antiterrorism and De-Mining Section - Administration for Security and Counter-Intelligence, within its programme activities for this year, apart from the remaining, there were plans for adoption of a Manual for measures and activities taken by the Ministry of Interior upon an information for a terrorist attack and a Manual for antiterrorist protection of buildings.

The Convention on the Suppression of Unlawful Acts against the Safety of Maritime Navigation and its Protocol, as well as the Protocol for Prevention of Unlawful Acts against the Security of the Fixed Platforms Located on the Continental Shelf, will be ratified. The Convention of the Council of Europe on Prevention of Terrorism will be also, ratified.

Concerning the identification of incriminations referring to terrorism, financing of terrorism should be determined and regulated in the manner as defined in the International Convention on Prevention of the Financing of Terrorism. In the following period, the Republic of Macedonia will intend to reinforce the cooperation and coordination between the counter-intelligence and intelligence bodies and agencies, especially concerning fight against terrorism. Therefore, by October 2007, a Law on the Basis of the National Security System that will define the relations among the different bodies and agencies will be prepared in order to strengthen the capacities of the country with regard to facing new forms of terrorism and organised crime.

### **COOPERATION IN THE FIELD OF DRUGS**

An adoption of the by-laws arising from the Law on Precursors is envisaged, in accordance with the following EU Regulations: 32004R0273; 32005R0111 and 32005R1277. In addition, adoption of by-laws resulting from the Law on Precursors is planned. The contents of the application and the forms of the authorisations for import, export, transportation and transit of precursors, the contents and manner of maintaining the register of legal persons that pursue production and trade in precursors will be governed by these by-laws. The following EU measures will be implemented with adoption of the by-law on the contents of the application and approval for trade of precursors: 32005R3677, 31992R0900; 32005R1277; 32004R0273; 32000R1610.

A new Law on Narcotic Drugs and Psychotropic Substances will be adopted. The Law will regulate the organisation, authorisations and tasks of the state bodies responsible for control, production and trade in narcotic drugs and psychotropic substances; the measures for suppression of illegal production and trade in narcotic drugs and psychotropic substances and the measures for prevention of use and misuse, as well as treatment, rehabilitation and social re-integration of drug addicts. The Law will be fully aligned with the UN Convention against illicit traffic of narcotic drugs and psychotropic substances, as well as with the EU measure 32000R1673.

Development of an Action Plan that will cover 2 phases. The first phase, activities to be implemented within one year and that refer to preparation of the process for implementation of the National Drugs Strategy.

### **CUSTOMS COOPERATION**

In the course of 2007, the Convention on the Simplification and Harmonisation of Customs Procedures (Revised Kyoto Convention) is expected to be ratified.

The Agreement between the Government of the Republic of Macedonia and the Government of Slovakia on cooperation and mutual assistance in customs operations will be signed in 2007.

## **JUDICIAL COOPERATION IN CRIMINAL AND CIVIL MATTERS**

The new Law on International Private Law will replace the out-of-date Law from 1982 (regulating the settlement of collision of the laws with the regulations from other countries) and it will be harmonised with the international and European standards in this field. Subject of regulation will be the collision of laws – whose rules determine the competent right which regulates the civil and legal relations with foreign elements, and the international civil procedure whose norms regulate the rules for action in situations of debates and decisions concerning civil-legal relations with foreign elements in front of the courts and other state authorities. The Law will be harmonised with the following: Brussels I Council Regulation (EC) No 44/2001 of 22 December 2000 concerning on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters; Brussels II Council Regulation (EC) No 1347/2000 of 29 May 2000 on the jurisdiction, recognition and enforcement of judgments in matrimonial matters and in matters of parental responsibility for joint children; Lugano Convention on jurisdiction and the enforcement of judgements in civil and commercial matters. Furthermore, harmonisation with the Convention on the Law Applicable to Contractual Regulations is pending.

In accordance with the Strategy for criminal reforms, the Law on Criminal Procedure will be amended in the chapter on international legal assistance, with the purpose of its further regulation in accordance with the already ratified conventions: the European Convention on Extradition with its Additional Protocols; the European Convention on Mutual Legal Assistance in Criminal Matters with its Additional Protocols; the European Convention on Transfer of Convicts with the Additional Protocol; the Convention on Transfer of Proceedings in Criminal Matters.

In addition, there is an initiative for continuation of the procedure for having negotiations and adoption of bilateral agreement with the Russian Federation on legal assistance in civil and family matters and an agreement between the Government of the Republic of Macedonia and the Government of Italy for legal assistance in civil matters.

## **INSTITUTIONS**

### **POLICE COOPERATION AND FIGHT AGAINST ORGANISED CRIME**

Pursuant to the Law on Police, the police functions as a part of the Ministry of the Interior. With regard to the cooperation established between the Ministry of the Interior and the competent authorities and institutions, it is provided for maintenance and improvement of such cooperation among the Ministry of the Interior, the Public Prosecutor's Office, the Courts with relevant jurisdiction, the Customs Administration of the Republic of Macedonia, the Financial Police, and the Directorate for Prevention of Money Laundering.

Within the Sector for International Police Cooperation there is an Interpol National Central Bureau (NCB) Skopje and a National Office of the SECI Centre and upon signing of the Strategic Agreement, establishment of a Europol Office is projected as well. In accordance with the Security Diplomacy concept, it is envisaged for Police Attachés to be appointed in 7 countries: Albania, Bulgaria, Serbia, Turkey, Germany, Belgium and the USA.

The following activities will be conducted during 2007 concerning strengthening the capacity for human resources management:

- development of a human resources database;
- implementation of continuing training of the personnel.

The Organised Crime Department – Sector for Criminal Intelligence and Analysis will be staffed with additional 14 officers (by transfer).

The process of modernisation of the crime laboratories at MI will be completed by the end of 2007. Budget funds of 90,000 EUR were earmarked for equipping of the forensic laboratory and crime-technique equipment. Training within the premises of the laboratory is planned for the users after the full installation of the equipment, as well as training for the purchased model in the laboratories of the manufacturer for three individuals. The equipping of the forensic laboratory and crime-technique equipment installation in the police stations will be implemented by 1 May 2007.

In accordance with Strategy for development of the Organised Crime Department (2007-2008), the Organised Crime Department within MoI will align the performance methodology and will establish operational and administrative procedures and rules. In order to efficiently deal with the organised crime and corruption, there will be implementation of continuous training for the members of the Section, as well as material and technical equipping.

Two individuals (by reassigning) will be employed at the Organised crime Department – Financial Crime Sector.

Pursuant to the Law on Internal Affairs and the Law on Police, the Ministry of the Interior is also responsible for undertaking measures for prevention of counterfeiting the Euro and other foreign currencies by timely detection and apprehension of the counterfeiters and others involved in the resale process. For that purpose, a new Unit for Cyber Crime and Forgeries is founded within the Organised Crime Department - Financial Crime Sector at the Ministry of Interior that will work on the suppression and detection of counterfeiting, 2 persons will be employed

The Sector for Violent Crime at the Organised Crime Department will strengthen the capacities for integrated financial investigations, directed towards detection, documentation and suppression of criminal acts related to financial transactions, as well as towards confiscation of income originating from criminal activities, as well as activities directed towards detection of perpetrators of criminal acts, trafficking in human beings, smuggling of migrants, organising a group for smuggling of migrants, extortion. With the purpose of establishing a database for trafficking in human beings and smuggling of migrants, a uniform system for submission of uniform information that refer to this kind of criminal acts by all MI segments will be established.

The Sector for Criminal Intelligence within the Mol works on completing the data bases for crime and intelligence analysis, training of the personnel for using the data bases, as well as interinstitutional and regional cooperation.

The Sector for Illegal Trafficking in Weapons and Hazardous Substances at Mol will undertake coordinated measures and activities directed towards detection and directing all organisational types of illegal trafficking of small firearms, weapons of mass destruction, as well as other kinds of explosives.

Besides the Unit in charge of prevention of counterfeiting banknotes, there is the Unit for investigation of controversial documents at the Department for Forensic Science that is working on providing evidences for identifying counterfeiting banknotes and coins of foreign currencies by applying proper technical analysis. Four of the foreseen five working posts are staffed in this Unit.

Pursuant to the Law on Interception of Communications, the Unit for Electronic Surveillance is to start operating, as well as to be staffed with additional 16 performers (9 by transfer and 7 newly employed).

Considering the specific character of the scope of work of the Department, there are continuing arrangements for selection of officers in the Unit for Monitoring and Operative Surveillance and the Unit for Undercover Operations, which on rotating basis receive engagements in the Department. Activities for application of special investigating measures for equipping, purchase of special vehicles and special stations for operational teams are projected. At the same time, the Department for special investigating techniques will intensify the cooperation with PPO, investigative courts, as well as the international cooperation.

For the needs of the Unit for fight against cyber crime, in order to achieve full performance efficiency, there is a need for: 3 powerful computer configurations with licensed operational system and unlimited Internet access (ADSL installed in the Unit's premises) 2 portable lap-tops with unlimited Internet access and Kit equipment, specialised licensed software for analyses, equipping with specialised equipment and vehicles.

By the end 2007, an integrated system for performing police activities on the basis of intelligence data received by the crime and intelligence analysis with the purpose of inter-ministerial use in the fight against organised crime, including illegal trafficking in human beings, weapons and drugs, will be established and developed.

The entire cooperation of Mol with the bodies with specific authorisations, especially the Public Prosecutor's Office of the Republic of Macedonia – Unit for Prosecution of Perpetrators of Criminal Acts in the area of organised crime and corruption, is on high level, and with the Directorate for Prevention of Money Laundering, the Public Revenue Office and the Financial Police will be enhanced in terms of information and data exchange with the purpose of undertaking efficient joint measures on the spot, qualitative documenting and provision of evidence material to the Public Prosecutor's Office of the Republic of Macedonia.

In order to develop a unique cooperation platform of the bodies with specific authorisations, a Protocol with the Bureau for Public Security at the Ministry of Interior is currently developing, and a Protocol with the Public Revenue Office has already been signed.

In harmonisation of the minimal standards for eliminating the human trafficking, creating data bases on this category of persons is essential, as well as cooperation with countries in the region and broader regarding the investigation and prosecuting the perpetrators of the severe forms of this type of organised crime.

With the Strategy for implementation of the Law on Witness Protection and the Financial Plan, the following is necessary: accommodation of the Unit, material and technical equipping and projects related to implementation of measures for protection (in accordance with Article 26 of the Law on Witness Protection).

For further staffing of the Financial Police, in 2007, there will be 5 employments by transferring and 3 new employments.

In addition, new employments are necessary at the Unit for Prosecution of Perpetrators of Criminal Acts in the area of organised crime and corruption at the Public Prosecutor's Office, and therefore, further staffing with 6 individuals, 3 of whom will hold the position of Public Prosecutor, 2 advisors and 1 in the logistics service. During 2007, within the Twinning Project at the PPO, a number of conferences, seminars, workshops and trainings in the area of organised crime will be implemented, with participation of around 50 experts.

## **FIGHT AGAINST TERRORISM**

Development of a Study on establishment of an antiterrorism training centre within the Antiterrorism Section, i.e. the Administration for Security and Counter-Intelligence.

## **COOPERATION IN THE FIELD OF DRUGS**

Two new centres will be established:

- **National Centre whose scope of work will cover two segments: monitoring of drugs and addictions, and prevention activities related to drugs.** This Centre will be connected to the European Monitoring Centre of Drugs Addiction in Lisbon. Apart from collection, processing and monitoring of data, the Centre will work on preparing reports on drugs in accordance with the EMCDDA criteria, i.e. apart from the five epidemiological health indicators, the data from MI and the Customs authorities will be

included as well. This Centre will be located in the Republic Institute for Health Protection. The coordinating activities of the Centre will be performed by the Bureau of Medicines, the Ministry of Health. For the needs of the Centre, individuals will be taken over from the Republic Institute for Health Protection, the Local Institutes for Health Protection, the Sector for Analysis, Research and Documentation at Mol and the Customs Authorities, which have already pursued these activities.

In relation to the prevention activities, the Ministry of Education and the Ministry of Labour and Social Affairs will be involved in the cooperation as well.

One person will be employed at the Centre.

#### **- National Centre for Treatment, Reduction of Damages, Social Re-integration and Re-socialisation**

The Daily Hospital for treatment of addictions, located in the Municipality of Kisela Voda, is projected to serve the function of a National Centre. This hospital is in functional connection with the Psychiatrist Hospital Skopje. In the role of a first institution to cover the treatment of addictions, with its capacity, equipment and professional personnel, the Daily Hospital will grow into a National Centre for Treatment, Reduction of Damages, Social Re-integration and Re-socialisation. This Centre will have the role to coordinate the performance, professional background, development of materials for continuous education of the newly formed centres for treatment, reduction of damages, social re-integration and re-socialisation on local level. For the operation of these centres, personnel from the institutions within the municipalities that already exist and have already pursued similar activities have been taken over.

There will be 4 new employments of university degree personnel and with secondary education degree – nurses at the Centre.

On behalf of Mol, as an implementing institution, continuous training for officers within the Sector for Trafficking in Drugs is carried out within the National CARDS Programme. The Sector for Trafficking in Drugs will intensify the cooperation with the neighbouring countries in the area of fight against drugs through direct exchange of information and performance of joint international operations.

The Sector for Violent Crime within the Organised Crime Department will act in direction of decreasing the offer and demand for drugs, blocking the international channels of drugs, prevention of the money resulting from the narcotics business.

#### **Customs Cooperation**

The employment of new 20 persons in the Customs Administration of the Republic of Macedonia is planned by the end of the year 2007. The biggest part of the newly employed would be engaged in the Centre for Automatic Data Processing and in the customs houses of the Republic of Macedonia in most of the cases.

#### **Judicial Cooperation in Criminal and Civil Matters**

In 2007, there will be additional staffing at the Sector for International Legal Assistance within the Ministry of Justice, one person at the Unit for Extradition and one person at the Unit for Transfer of Convicts.

### **MEDIUM-TERM PRIORITIES**

#### **LEGISLATION**

#### **POLICE COOPERATION AND FIGHT AGAINST ORGANISED CRIME**

By the end of 2008, the operational and working records keeping in the area of analytical bodies in the Mol headquarters as well as the regional organisational units will be fully computerised.

By June 2010, the objective of ratio 1:300 (police officer - citizens) will be achieved and there will be appropriate equitable representation of all the communities in the police.

There will be amendments of the existing by-laws in accordance with the Law on Financial Police.

The implementation of the Action Plan for Reform of the Police will be completed and upgrading of the equipment, as well as reinforced training will follow.

During 2008, activities will be conducted in order to further develop the creation of a database for human resources and implementation of the Strategy, and in 2009, the capacities for human resources management on all levels will be reinforced, training of management staff for the needs for human resources management, internal audit, budget planning, office work and data and information handling will be realised. The system for human resources management will be developed in continuity and the Strategy will be implemented.

Medium term further development of an integrated system for criminal intelligence activities and enforcing possibilities on conducting special investigations in the fight against organised crime, including illegal trafficking in human beings, weapons and drugs will be provided.

The Law on E-Crime (Cyber Crime) is planned to be adopted as a medium term priority.

#### **FIGHT AGAINST TERRORISM**

The Council of Europe Convention on laundering, search, seizure and confiscation of proceeds from crime and on the financing of terrorism (signed on 17 November 2005) will be ratified.

An antiterrorism training centre (for training) within the Antiterrorism Section, i.e. the Security and Counter-Intelligence Directorate will be established.

## COOPERATION IN THE FIELD OF DRUGS

The harmonisation of the legislation will continue by adopting the by-laws to the Law on Narcotic Drugs and Psychotropic Substances which will further arrange the procedures for registration of medicines containing narcotic drugs and psychotropic substances, and shall arrange the manner of keeping records according to the lists of narcotic drugs and psychotropic substances. Memoranda for Cooperation are projected to be signed between the respective authorities and the industry.

Implementation of an Action Plan – phase 2 (2008-2012) that will cover activities related to actual processes of implementation of the National Strategy objectives (5-year period).

The following programme activities will be implemented in the part related to drugs:

1. Activities for prevention within the family system
2. Activities for prevention at the job position
3. Activities for prevention within the local community
4. Activities for prevention within the collectively organised systems (boarding schools, dormitories, barracks etc).
5. Activities for prevention within the penitentiaries and correctional institutions.

## CUSTOMS COOPERATION

The non-harmonised areas<sup>44</sup> will be fully aligned in the course of the second revision of the customs legislation, which implies that the Republic of Macedonia shall commence with their application as a part of the *acquis* as of the day of its admission to the European Union. At the same time, the Republic of Macedonia will implement the Common Communication Network (CCN) and develop a proposal for introduction of a New Computerised Transit System (NCTS).

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 will follow upon accession to the EU.

## JUDICIAL COOPERATION IN CRIMINAL AND CIVIL MATTERS

The procedure for international legal assistance in civil and criminal cases will be harmonised with the following EU measures: Brussels II, the Lugano Convention, the Convention on jurisdiction and enforcement of judicial verdicts in civil and commercial matters (Brussels, 27 September 1968) with the Protocol from 1971 – on large scale amended with the Council Regulation (ED) No. 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgements in civil and commercial matters; 2001/470/EC, as well as with the other Regulations and Decisions of the Council of Europe.

Convention on simplification of the extradition procedures between the Member States of the European Union, the European Arrest Warrant, the European warrant for freezing estate and evidence will be obligatory for the Republic of Macedonia once it becomes a EU Member State, but it implies amendments of the Constitution of the Republic of Macedonia, since the Convention prescribes extradition of Macedonian citizens. However, provisions referred to in these Conventions that are without prejudice to the Constitution of the Republic of Macedonia and other legal regulations may be incorporated in the national legislation.

## INSTITUTIONS

### POLICE COOPERATION AND FIGHT AGAINST ORGANISED CRIME

Mid-term measures and activities to be implemented refer to the realisation of the following priorities:

- Development of methodology and work with a system for collecting and exchanging operational data and common access to the databases, i.e. establishing a system and common network for data exchange between the bodies with specific authorisations.
- Pursuant to the Law on Interception of Communications, within the Sector for Special Investigative Techniques at the Unit for Electronic Surveillance, there will be further staffing in 2008 with 2 persons, 2009 with 1 person and 2010 with 1 person and continuous training in cooperation with different international organisations. This process will be accompanied with appropriate material and technical equipping with sophisticated equipment.
- Upgrading of the ITC system – equipment, i.e. two software programmes for the needs of the Financial Police (one for operational analysis and one for computer expertise) estimated at around 6 160 000 MKD or 100 000 EUR, as well as 616 000 MKD or 10,000 EUR needed for maintenance per year.
- In the Financial Crime Sector– Section for Cyber Crime and Forgeries in 2008 (1) and 2009 (1), person will be employed.
- In the Department for Forensic Science, 2 new employments are planned in 2008, 6 in 2009 and 6 new employments in 2010.
- New employments at the Financial Police will be provided in 2008 (3), 2009 (4), 2010 (4). respectively. There will be trainings and education for the current and newly employed, estimated at around 12 238 000 MKD or 200 000 EUR.

<sup>44</sup> These areas shall, in particular, pertain to: rules for the origin of the goods – adoption of the rules for non-preferential origin of the goods and the rules applicable by the European Union as regards the occupied territories and rules for application of GSP; special rules and documents applicable to the customs goods circulating between the Member States; special rules on the exchange of different types of information implementing the customs regulations between the Member States or between the Member States and the Commission, special rules constituting integral part within the implementation of the Common Agricultural Policy.

- During 2008, as part of the Twinning Project in the PPO, internship at the District Anti-mafia Bureau in Rome will be provided for 10 prosecutors.

## **FIGHT AGAINST TERRORISM**

Strengthening the inter-agency cooperation, through coordinated participation and joint activities of the security agencies for the purpose of successful combat of terrorism. Training for the employees that are involved in the fight against terrorism and protection of the individuals providing information related to terrorism, organised crime, financing of suspicious activities etc.

## **COOPERATION IN THE FIELD OF DRUGS**

During 2008 in the National Drug Centre 1 person will be employed, and in the National Centre for Treatment, Reduction of Damages, Social Re-integration and Re-socialisation, in 2008 (4) new persons will be employed, in 2009 (4) and in 2010 (3) new persons.

The education, social assistance, police and court professionals, as well as parents and other family members need to acquire knowledge and skills concerning prevention of drug use and early detection and response to the problem of drug use.

Specialised programs for education and training in the area of drugs are to be introduced, with the purpose of increasing the level of information, knowledge and skills within the undergraduate, postgraduate and permanent education programmes, which train the professionals playing a role in the response to the drug problem.

## **CUSTOMS COOPERATION**

The Republic of Macedonia will work on creating an integral Intelligence system and common database to be used by all state bodies involved in the fight against organised crime. The increase of the customs capacity to fight against border crime is a priority in this area. Appropriate level of infrastructure and equipment, including computerisation and appropriate investigation capacities, as well as establishing efficient customs organisation with a sufficient number of qualified and motivated staff with a high level of integrity will be provided in order to achieve more efficient customs cooperation.

To that effect, reorganisation and additional staffing of the customs office is foreseen in order to:

- adopt a legislation related to the organisation of the customs office;
- achieve a high level of cooperation between the customs office, tax office and others civil services;
- establish efficient customs control, especially for smuggling and public duties collection;
- obtain additional training of the customs office, particularly of the employees in the Sector for Control and Investigations, with the purpose to pursue the latest trends of the organised and other types of crime successfully;
- regulate the status, salaries as well as the promotion opportunities for highly qualified and motivated employees, with great degree of responsibility and professionalism;
- support the information system, comparable with the structure of the European Union Information system.

The reorganisation and the professional training of the customs office providing for effective and correct collection of the direct incomes of the European Union, as well as the protection and the monitoring of the external borders of the EU, are the main targets that need to be achieved by the Customs Administration in the accomplishment of the obligations arising from the EU membership.

## **JUDICIAL COOPERATION IN CRIMINAL AND CIVIL MATTERS**

Institution building is planned in 2008, with one employee in the Unit for Extradition and one employee at the Unit for Transfer of Convicts. There will be training intended for the employees in the Sector for International Legal Assistance within the Ministry of Justice. The six individuals that will work in the Unit that covers criminal matters will be trained in practical application of the Conventions on Extradition with the Additional Protocols, the Convention on Transfer of Convicts with the Additional Protocol, the Convention on Mutual Legal Assistance in Criminal Matters with its Additional Protocols, whereas six individuals that will work in the Unit that covers civil matters will be trained in practical application of EU acts, such as 32001R0044, Convention on the Law Applicable to Contractual Relations (Rome 1980) and the Law on International Private Law.

## **FOREIGN ASSISTANCE**

### **EXTERNAL BORDERS**

By the end of 2006, several CARDS Projects will be implemented, whereby the capacities of the Border Police will be significantly improved:

- The building of the National Coordination Centre for Integrated Border Management headquarters has been constructed and released on 8 May 2006, whereby the Sector for Border Affairs<sup>45</sup> is located
- Provision of equipment for the needs of the Border Police "Telecommunications system TETRA" – CARDS 2004, which provides for procurement of radio-communications system. The total amount to be spent on this project is EUR 9,000 000 and it is planned to be completed by the middle of 2006. The completion of the project will also enable functioning of:
- Mobile transmitter for special operations and specific situations;

<sup>45</sup> The Project is a part of the 2004 CARDS Programmes evaluated at EUR 2,100 000 and should be fully realised by end of April 2006.



- Means for connection/Motorola GP 340 and base stations GM 360;
- Central connection of all police stations for securing the state border and police stations for border control, and with other users within the Ministry of Interior through the Lotus system.
- CARDS Twinning project of the European Commission - Advisory support for Police Reform. It is planned that this project will provide assistance in the preparation of the by-laws to be adopted according to the Law on State Border Surveillance.

## **VISA POLICY AND EXTERNAL MIGRATIONS**

The Law on Aliens will be supported by the experts from the Kingdom of Norway and through TAIEX expertise.

The financing of the project for establishment of the National Visa Information System including Visa Centre within the Ministry of Foreign Affairs will be carried out through the 2006 CARDS Programme, for which a feasibility study has already been prepared. Regarding the implementation of the project's first phase, a donation in the amount of EUR 250 000 has been offered by Luxembourg.

The training of the employees in the Visa Centre will be carried out through 2006 CARDS Programme.

Concerning the activities related to the State Statistical Office, training and seminars for proper implementation of the recommendations as well as adoption of new regulations for migrations that are already in procedure would be implemented through the Regional 2003 CARDS Project.

## **ASYLUM**

With regard to the construction of the Reception centre, the 2002 National CARDS Project provided funds in the amount of EUR 1,207 581.

## **POLICE COOPERATION AND FIGHT AGAINST ORGANISED CRIME**

The following projects are on-going:

- Twinning Project – Advisory Support for Police Reform – (CARDS 2004).
- Police Reform – Macedonian Police Unit for Rapid Deployment (CARDS 2005) – 6,500 000 EUR.
- Support to the Police Academy (phase 2) (CARDS 2003).
- The Police Academy – Twinning Project: Development of the police educational system (CARDS 2004)
- CARDS 2005 Twinning Project – Support to the PPO: Organised crime (1,400 000 EUR were planned) – directed towards capacity development of the Unit for Prosecution of Perpetrators of Criminal Acts in the Area of Organised Crime and Corruption (December 2006 to December 2008).
- Project - Support for the development of police records management and the capacities for forensic analysis within the National CARDS 2004 Programme, up to the amount of 4,000 000 EUR. Part of these funds (2,000 000 EUR) are intended for the Forensic Medicine Institute.
- CARDS 2003 Project Security Equipment – Equipment for Witness Protection, Basic Court Skopje 1
- Regional Project - Prevention of Organised Crime: activities for prevention of international organised crime, focusing on trafficking in human beings and smuggling of migrants, through operational assistance, advice, intelligence training and equipment for the Section for organised crime on the level of a Ministry.
- Regional Project organised by Ministry of Interior (MI) of the Republic of Austria – Support to the South Eastern European Countries for strengthening of capacities of the police in order to decrease trafficking in human beings, smuggling of human beings and illegal migration.
- Mol: Regional Project (Finland) – fight against trafficking in human beings, prevention and activities for enhancement of the capacities of Kosovo and the Republic of Macedonia
- Mol: Residence 2005 – OSCE, USAID
- Mol: Development of the database for trafficking in human beings - the US Embassy - ICITAP
- Mol: Programme for strengthening the response to trafficking in human beings in South Eastern Europe, data gathering and information management – Switzerland, Norway
- PHARE Compensation Funds – Ministry of Finance \_ Financial Police: Strengthening of the financial police

The start of the project - Strengthening the Regional Court and Police Cooperation is planned for the first quarter of 2007. The funding of the project is envisaged within the Regional CARDS 2006 Programme amounting 2,500 000 EUR.

## **COOPERATION IN THE FIELD OF DRUGS**

CARDS 2003 Twinning Project on the strengthening of the capacities in the fight against drugs up to the amount of EUR 1,000 000 (remark: the provision of equipment is not projected).

### **Customs Cooperation**

The Republic of Macedonia has actively used certain forms of technical assistance within the European Union CARDS technical assistance (CAFAO-MAK). This assistance is provided through the CAFAO-MAK Project in the Republic of Macedonia, which amounts to EUR 2 million<sup>46</sup> for the fiscal year of 2006. CAFAO-MAK Mission is a team comprised of customs experts from EU

<sup>46</sup> Apart from the Customs, this project shall cover a part of the tax area as well. The allocation has not still been agreed upon.

Member States which provides technical support to the Customs Administration in the modernisation and establishment of fully operative customs activities pursuant to the European standards. The team, being named Customs and Fiscal Assistance Office to the Republic of Macedonia (CAFAO-MAK), which is consisted of international experts, apart from the provision of equipment and specialised trainings, works on the field in cooperation with the Macedonian colleagues, for the purposes of encouraging transfer of skills and knowledge, through training techniques in the course of activities realisation. CAFAO-MAK is focused on the customs legislation, human resources management, training and application of the Customs Law.

Also, certain bilateral assistance is being used within the framework of the Twinning project with the Customs Administration of the Kingdom of the Netherlands foreseen for the period from 2005 to 2008. It amounts approximately to EUR 500 000 and the funds will be used pursuant to the programme activities previously agreed.

## JUDICIAL COOPERATION IN CRIMINAL AND CIVIL MATTERS

The Republic of Macedonia has actively used certain forms of technical assistance within the framework of DPK/USAID and CARDS 2003:

- DPK/USAID Project – *Modernisation of Judiciary* (extended until September 2007)
- Regional CARDS 2003 Programme – *Establishment of independent, reliable and functional judiciary and promotion of the judicial cooperation among the countries of West Balkans* (extended until April 2007), for application of the Law on International Private Law.

## INSTITUTION BUILDING REQUIREMENTS

BUDGETARY BENEFICIARY/ INSTITUTION	INSTITUTION/ SECTOR	Current status 31.12.2006	2007	2008	2009	2010	Total
06001: Ministry of Interior	MI: Sector for Border Affairs	2351	0	0	0	0	0
	MI: Sector for Criminal Intelligence	15	0	0	0	0	0
	MI: Sector for EU	4	0	0	0	0	0
	MI: Sector for Financial Crime/Unit for IT Crime and Forgery (intellectual property rights)	2	2	1	1	0	4
	MI: Sector for Legal Affairs and Human Resources	32	0	1	1	0	2
	MI: Sector for Special Investigation Techniques/ Unit for E-Surveillance	0	3	2	1	1	7
	NEW: Sector for Border Affairs (Aliens Shelter Centre)	0	0	0	0	0	0
	NEW: Training Centre for Antiterrorism	0	0	0	0	0	0
	MI: Sector for Witness Protection/ Unit for Witness Protection	6	0	0	0	0	0
	MI: Sector for Civil Affairs / Unit for Asylum	9	0	1	1	3	5
	MI: Sector for Civil Affairs / Unit for Aliens	13	0	0	0	0	0
	MI: Sector for Special Investigation Techniques/ (Unit for Monitoring and Operative Investigation; Unit for Undercover Operations)	64	0	0	0	0	0
	MI: Sector for Financial Crime	3	0	0	0	0	0
	MI: Sector for Crime Technique/ Unit for Investigation of Contentious Documents	4	1	0	0	0	1
	MI: Sector for Crime Technique	70	0	2	6	6	14
	MI: Sector for Administrative and Supervisory Affairs	27	0	1	2	3	6
06001: Ministry of Interior Total		2600	6	8	12	13	39
08001: Ministry of Foreign Affairs	MFA: Ministry of Foreign Affairs/ Sector for Consular Affairs and International Law	0	3	3	2	2	10
	MFA: Sector for Visa Centre/ Unit for Visa Centre (National Visa Centre)	25	3	3	2	2	10
08001: Ministry of Foreign Affairs Total		25	6	6	4	4	20
09001: Ministry of Finance	MF: Financial Police	13	3	3	4	4	14

09001: Ministry of Finance Total		13	3	3	4	4	14
15001: Ministry of Labour and Social Policy	MLSP: Sector for Social Protection/ Unit for Protection of Humanitarian Sheltered Persons: refugees, asylum seekers, internally displaced persons, migrants, returned persons by the readmission agreement and humanitarian support	1	1	1	1	1	4
	NEW: Reception Centre for Asylum Seekers	0	3	3	1	0	7
15001: Ministry of Labour and Social Policy Total		1	4	4	2	1	11
19001: Ministry of Health	BM: Bureau for Medicines	10	3	3	2	2	10
	NEW: Bureau for Medicines - Office for Health protection/ National Drug Centre (contact with the European Monitoring Centre for Drugs Addiction - Lisbon)	0	1	1	0	0	2
19001: Ministry of Health Total		10	4	4	2	2	12
31010: Public Prosecutor's Office of the Republic of Macedonia	PP: Public Prosecutor/ Unit for Prosecution of Perpetrators of Criminal Acts in the area of organised crime and corruption	9	6	0	0	0	6
31010: Public Prosecutor's Office of the Republic of Macedonia Total		9	6	0	0	0	6
HIF: Health Insurance Fund	DRUG CENTRES: National Centre for Treatment (Treatment Centres for Drug Addictions and Prevention)	0	4	4	4	3	15
HIF: Health Insurance Fund Total		0	4	4	4	3	15
IBM: Integrated Border Management	NC_IBM: National Commission for IBM	12	0	0	0	0	0
	NEW: NCOORD_IBM: National Coordination Centre for IBM	15	0	0	0	0	0
IBM: Integrated Border Management Total		27	0	0	0	0	0
NC: National Commission for Fight against Illegal Migration and Human Trafficking	SC_ILL: State Commission for Fight against Illegal Migration and Human Trafficking	14	0	0	0	0	0
NC: National Commission for fight against illegal migration and Human Trafficking Total		14	0	0	0	0	0
SCDRUGS: State Commission for Fight against Illegal Drug Production and Trade	SC_DRUG: State Commission for Fight against Drug Production and Trade	11	0	0	0	0	0
SCDRUGS: State Commission for Fight against Illegal Drug Production and Trade Total		11	0	0	0	0	0
		2710	33	29	28	27	117

## 3.25 SCIENCE AND RESEARCH

### CURRENT SITUATION RESEARCH

In direction of projection of the scientific and research activity in June 2006 the Government of the Republic of Macedonia adopted the Programme on Scientific Research Activity 2006-2010. It represents a platform for acting of all the subjects and individuals who work with science or whose functioning depends on this activity. The Programme on Scientific Research Activity 2006-2010 offers measures that the state should undertake in financial, legal and institutional sense with an aim of providing development of the science and research activity. The Programme offers a new proactive approach in the international cooperation, with special attention to increasing the participation of the Republic of Macedonia in the projects of the framework and other programmes of the European Union.

Part of the Programme on Scientific Research Activity 2006-2010 relates to the relatedness of science and economy. Measures and activities are proposed with it for intensifying of this cooperation, i.e. for encouraging and helping the technological development.

### FRAMEWORK PROGRAMMES

On invitation by the European Commission the Republic of Macedonia started cooperation for participation in the Framework Programmes. The Republic of Macedonia took part in the last year of realisation of the Fourth Framework Programme in the period 1998/99. The participation in this framework programme was symbolic for the scientific and research institutions. In the Fifth Framework Programme the Republic of Macedonia participated in the period from 1999 to 2002 and since then the participation is realised unobstructed with increasing intensity. In this period the only instrument that was open for participation was INCO COPERNICUS. The scientific and research institutions in the Republic of Macedonia participated in 40 applications, of which 13 were approved and financed. In the Sixth Framework Programme the Republic of Macedonia participated from 2003 to 2006 as a third country on project basis. In the first two years of realisation of the programme (2003 and 2004) the participation was on a low level because of: the insufficient number of employees in the Ministry of Education and Science who worked on the programme, lack of relevant training for programme implementation, lack of network of national contact points which would disseminate the information and services to the last users. A turning point in our participation represents the entering in the project ERA WEST BALKAN in May 2004, in the frames of the Sixth Framework Programme the aim of which was to increase the successfulness and the quality of the participation of the Republic of Macedonia via setting a network of national contact points, their relevant training and rising the quality level of informing and services towards the scientific and research public. Four national contact points have been nominated, and the Ministry of Education and Science formed a network of 20 institutional contact points. The Ministry of Education and Science created an individual Internet page for the Sixth Framework programme ([www.mon.gov.mk/fp7.asp](http://www.mon.gov.mk/fp7.asp)), as well as a database for the scientific and research potential in the Republic of Macedonia ([www.westbalkanresearch.net](http://www.westbalkanresearch.net)).

At the expiry of the Sixth Framework Programme Republic of Macedonia, 42 applications were approved with a total budget of € 4,255,286.

In the course of 2006 in the frames of the Call for Building Capacities in the Western Balkan countries, the Republic of Macedonia participated with 23 applications of which 3 successful projects with a total budget of € 1 million will start their realisation in 2007. The projects will be realised at the University of "St. Cyril and Methodius" in Skopje at the Faculty of Natural Sciences and Mathematics – the Chemistry Institute, the Faculty of Electrical Engineering and the Faculty of Veterinary Medicine. With the means, a qualitative superstructure of the scientific and research equipment will be provided and 7 young researchers will be employed.

In the course of 2006, the Republic of Macedonia started activities preparing for participation in the Seventh Framework Programme, as a country with associate status. The Ministry of Education and Science fostered its institutional capacity by appointing 3 persons who will work on the programme. In the Budget of the Republic of Macedonia for 2007, financial means are anticipated for informative campaigns in the amount of € 20,000.

### EUROPEAN RESEARCH FIELD

On its own request, at the 148<sup>th</sup> meeting of COST that was held in Cyprus on 13 and 14 May 2002, the Republic of Macedonia was unanimously, by curtailed procedure accepted as an equal member.

Since the reception of the Republic of Macedonia in COST in May 2002, the following achievements have been accomplished:

- Inclusion and cooperation of scientists from the best European and world research centres in the research teams has been accomplished.

- Contribution has been accomplished for encouraging of the young research workers to stay in prestigious European scientific and research centres by way of exchange.
- Financing has been accomplished for participation of research workers in the COST actions, with financial support by the COST funds and publishing their research results on European level in a form of annual and final reports, reports from workshops and final conferences.
- General evaluation is that via COST an opportunity is given for participation of scientific staff from the Republic of Macedonia in the so called "Network of Excellence" and thus to equally compete for gaining grants for research work by the EU framework programmes and other European and world scientific and research programmes.

## **SHORT-TERM PRIORITIES**

### **RESEARCH WORK**

- New Law on Scientific and Research Activity. With this Law the principles, the goals and the forms of organising and managing in the scientific and research activity are regulated, as well as the conditions for performing this activity, and also training and upgrading of the scientific and research staff. In this Law the obligations will be laid down that will be financed by the state budget and by other sources (international programmes and funds, local self-government units, and the economy), and which will be directed towards achieving the goals of the societal and economic development of the Republic of Macedonia. The Law will also regulate the ethical aspect of the scientific and research activity, determining the criteria for the excellence centres, the conditions for cooperation between the public and private sector and forming a unique database in science.
- Within 3 months after enforcement of the Law on Scientific and Research Activity the Ministry of Education and Science will adopt new bylaws in the scientific and research activity:
  - Rulebook on determining the conditions and the criteria for granting means for promotion and support to the scientific and research activity
  - Rulebook on determining the conditions and the criteria for granting means for realisation of the annual programmes for work and development of the public scientific institutions
- Rulebook on determining the conditions and the criteria for granting means for educating scientific and research staff
- Rulebook on keeping the databases for scientific and research activity
- Rulebook on determining the conditions and the criteria for announcing excellence centres.
- Forming a Council for the Development of the Republic of Macedonia which will be an expert advisory body of the Government of the Republic of Macedonia. The council will use the scientific findings in creating the development policy of the state.
- Forming an Ethics Board. The Board will enact a Code of Ethics by which the ethical principles and values in the scientific and research activity and in the technological development will be established.
- Announcing excellence centres for a limited period of time.
- New Law for promotion and support to the technological development.
- Within three months after enforcing the Law, a new Rulebook on the conditions, criteria and manner of using the means for promotion and support to the technological development, to determine the conditions and criteria for granting means for financing the activity will be adopted.

### **FRAMEWORK PROGRAMMES**

- Signing a Memorandum of Understanding with the European Commission for participation in the Seventh Framework Programme
- Increasing the absorption capacity of the scientific and research institutions for elaborating successful applications and successful participation in the programme.
- Organising informative campaigns and training of the national contact points and the research workers in the field of project management, elaboration of project proposals, financial matters as well as matters relating to intellectual property.
- Increasing the Science Budget, especially in the part of the national subsidy for participation in the framework programmes.

### **EUROPEAN RESEARCH FIELD**

- Holding an Info Day on the COST Programme for the scientific public
- Holding a Conference on the COST Programme, with the intention of increasing the number of projects in this programme for ten more
- Intensifying the Promotion of the COST Programme, with an aim of increasing the number for 20 more projects
- Pilot mutual competition in the field of Agriculture and Bio-technology, Ecology and Information Technology.
- Holding an Info Day for a Pilot mutual competition

## MID-TERM PRIORITIES

### RESEARCH

- Realisation of priorities in relation to increasing the investments in the scientific and research infrastructure as a condition for implementation of modern research methods via modernisation of the existent scientific and research facilities and enriching the library funds with scientific books and journals.
- Providing continuous, easy and fast Internet access for the scientific and research institutions, as one of the imperatives for better joining the European Research Area (ERA)
- Technological Development Programme by which the policy will be created and the directions will be laid down of the state in function of the technological development. In this programme measures will be proposed, which from legal, institutional and financial aspect will promote and support the technological development via support of developing and research innovation projects/programmes especially of the economic operators, carriers of the development. In the Programme measures will be located for more efficient participation in the international programmes connected with support of the development and research activities. Out of the Programme for Technological development the obligation should be derived for increasing the appropriations in the Budget for development researches and their utilisation on a strictly selective basis, only in case of projects related to the accepted development goals and priorities of the state.

### FRAMEWORK PROGRAMMES

- Subsidizing the scientific and research institutions from the Republic of Macedonia in all the actions supported by the Seventh Framework Programme.
- Increasing the percentage of funding the science and researches with the aim of realising the recommendations of the European Commission for larger appropriations in science by the national budgets.
- Elaborating a document on the Integrated Research Policy

### EUROPEAN RESEARCH AREA

- Intensifying the promotion of the COST programme with an aim of increasing the number for 10 more projects
- Joint competition for scientific and research projects on the thematic fields of the Seventh Framework Programme
- Holding an Info Day on the Joint Competition
- Holding a thematic conference on the Joint competition of SEE ERA NET

### INSTITUTION BUILDING REQUIREMENTS

BUDGETARY BENEFICIARY/ INSTITUTION	INSTITUTION/ SECTOR	Current status 31.12.2006	2007	2008	2009	2010	Total
16001: Ministry of Education and Science	MES: Sector for Science and Technological Development	3	3	3	2	2	10
16001: Ministry of Education and Science Total		3	3	3	2	2	10
<b>TOTAL</b>		<b>3</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>10</b>

## **3.26 EDUCATION AND CULTURE**

### **CURRENT SITUATION**

#### **PRIMARY AND SECONDARY EDUCATION**

In direction of continuation of reforms in education, the Law on the Bureau for the Development of Education (Official Gazette of the Republic of Macedonia No. 37/06) by which not only the competence is laid down but also the responsibilities of the Bureau for the Development of Education are additionally defined. During its drafting, the Recommendation of the European Parliament and the Council of 12 February 2001 regarding the European cooperation in the field of qualitative assessment of school education has been taken into consideration.

The Law on Vocational Education and Training has been adopted (Official Gazette of the Republic of Macedonia No. 71/06). By this law the vocational education and training is promoted and actualised. The same represents a basis for bringing qualitative teaching curricula and syllabi which are based on the technological development, inclusion of the business community and the local government as active participants in creating the vocational education and training policy (by establishing a National Council for Vocational Education and Training), bringing of knowledge standards and preparing a catalogue of vocations. The adoption of the Law was initiated and helped by the CARDS Programme, with the help of projects VET 2 and VET 3 as well as the project "Vocational Education Improvement in the Technical Vocations" (GTZ) financed by the Government of the Republic of Germany.

In the Law on Vocational Education and Training, the Council Decision of 2 April 1963 laying down general principles for implementing a common vocational training policy (63/266/EEC) has been taken into consideration as well as the Council Decision of 16 July 1985 on the comparability of vocational training qualifications between the Member States of the European Community (85/368/EEC).

The Law on the Primary Education and the Law on Secondary Education have been amended (Official Gazette of the Republic of Macedonia No. 35/06).

In April 2006, a National Programme for the Development in Education and its related programme documents has been adopted and in May 2006 the Programme for Adult Education has been adopted regarding the issue of life-long learning.

In accordance with the Law on Vocational Education and Training and by a Decision of the Government of the Republic of Macedonia, a Centre for Vocational Education and Training was established in August 2006. In the Centre the state interests are harmonised and integrated as well as the interests of the social partners in the vocational education and training in the Republic of Macedonia. The Centre coordinates the cooperation with the international institutions and organisations in the field of vocational education and training.

In the Republic of Macedonia the competences in the education continued to transfer from central to local government level. By Decision of the Government of the Republic of Macedonia, the school facilities along with their equipment have been handed over to the municipalities. For more efficient management in the educational institutions by the local authorities and the principals of primary and secondary schools, the Ministry of Education and Science accredited six specialised ones which carry out training sessions for principals as well as candidates for principals of the primary and secondary schools. By this, the process of professionalisation of the management staff in the educational institutions has started.

In April 2006 in 23 secondary schools the Pilot State Matriculation Exam was held in Macedonian language and literature, Albanian language and literature and Turkish language and literature, and in November 2006 the second Pilot State Matriculation Exam was held for English, French, German, Russian language and Mathematics. The evaluation procedure of the instruments assessing the pupils' knowledge is currently in progress.

#### **HIGHER EDUCATION**

The area of higher education is regulated by the Law on Higher Education (Official Gazette of the Republic of Macedonia No. 64/00) and the Law on Amending the Law on Higher Education (Official Gazette of the Republic of Macedonia No. 49/03). For the purpose of harmonisation with the Law on One-Stop-Shop System, a new Law on Amending the Law on Higher Education was adopted at the end of 2005 (Official Gazette of the Republic of Macedonia No. 113/05).

In April 2006, the Government of the Republic of Macedonia adopted the Programme for development of the higher education as part of the National Programme for Development of the Education.

In 2006, the Accreditation Board of Higher Education accredited a project for establishing 5 new faculties (along with the existent five faculties) without legal personality, within the frames of the existing European University – Skopje as well as 5 new projects for establishing private institutions of higher education (American College - Skopje, Faculty of Tourism - Skopje, School for Italian

Design – Skopje, New Balkan Faculty – Skopje and New Balkan Faculty for technical sciences – Skopje) as independent institutions out of the university. In October this year the University American College – Skopje and the Faculty of Tourism – Skopje started working.

For participation of the Republic of Macedonia in the Community Programmes in the field of education and training, the Ministry of Education and Science is appointed as national coordinative body for participation in the Community Programmes in the relevant field.

## **YOUTH**

Having in mind the international experiences and the established practice within the institutions and the non-governmental sector in the Republic of Macedonia, the term “youth” in the Republic of Macedonia refers to a separate social and ethnic category of the population of the Republic of Macedonia, age 15 to 24. The term “youth association of citizens” shall refer to any association of citizens that is managed by young people, works with and for young people.

With the aim of supporting the youth associations of citizens, within the frames of the Agency for Youth and Sport, a Rulebook on financing projects in the area of youth has been adopted, regulating the manner and types of activities that could be financed by state budget means, via the Agency for Youth and Sport of the Republic of Macedonia. The priority areas for financing are established every year in accordance with the development priorities of the state for the relevant current year.

With the aim of supporting the general development of the youth, the Government of Republic of Macedonia adopted a National Strategy for Youth of the Republic of Macedonia in 2005, laying down the fundamental values of the youth policy, the priorities and priority areas in the Republic of Macedonia in the development of the youth, the institutional framework for its implementation as well as specific short-term and long-term priorities and actions in every priority area respectively. By this strategy, as activities of special interest for the youth were established the following: the education and the training, the informal education, the youth entrepreneurship, their participation in the public life and informing, the culture and the development of the youth at local level.

Funds for realisation of concrete activities and projects in the Strategy are provided by the Budget of the Republic of Macedonia and are allocated with the Annual Programme for the support of projects of citizens associations in the field of Youth.

The Agency for Youth and Sport of the Republic of Macedonia (Law on Organisation and Operation of the State Administrative Bodies: Official Gazette of the Republic of Macedonia No. 58/2000) represents a competent independent body of the Government of the Republic of Macedonia performing the activities pertaining the youth development and their development as active citizens and psychologically and physically healthy individuals.

Within the Agency, a Sector for Youth has been established whereby a Unit for International Cooperation functions (competence: participation in international forums, youth exchange and projects) as well as the Unit for Youth Policy (competence: implementation of the national youth strategy and cooperation with associations of citizens).

## **CULTURE**

With the Law on Culture (Official Gazette of the Republic of Macedonia No. 49/03 and 82/05) the foundations of culture are regulated as essential value of the Republic of Macedonia, the forms of expressing the culture, the manner and conditions of its financing, as well as other questions of cultural interest. The culture encompasses the creativity, publishing the artistic creativity and the protection and use of creativity.

The activities in the field of culture are publishing activities and activities for protection and usage. Publishing activities comprise publishing, music and stage art, the film, galleries, as well as activities of the cultural institutions and entrepreneurship in culture. Activities of protection and usage of the creativity are those of protecting the immobile cultural heritage and activities for protection of the moveable cultural heritage (museum, library and cinematography).

The relations in the field of protection of cultural heritage are regulated with the Law on Protection of Cultural Heritage (Official Gazette of the Republic of Macedonia No. 20/04 and 71/04). This law regulates the types, categories and models of putting the cultural heritage of public interest under protection, as well as the other instruments for protection, the rights and duties of the holders of right of cultural heritage and its limitations under the public interest, the organisation, coordination and surveillance as well as other questions of importance for the unity and operation of the system of protection of the cultural heritage in the Republic of Macedonia.

The need for harmonizing the museum and library activities with the Constitution of the Republic of Macedonia, the Law on Culture, the Law on Local Self-government and the Law on Protection of the Cultural Heritage was reason for adopting the Law on Museums and the Law on Libraries (Official Gazette of the Republic of Macedonia No. 66/04), the Law on Memorial



Monuments and Testimonials (Official Gazette of the Republic of Macedonia No. 66/04) by which a new system for performing the museums and libraries activities was built.

Adopting the Law and by-laws in the field of protection of cultural heritage, conditions are created for implementation of the Resolution of the Council of the European Union 32002G0706 (02) on preserving the tomorrow's memory, preserving digital contents for future generations.

One of the competences of the Office is keeping the National Register of Cultural Heritage and the Information System of Cultural Heritage in the Republic of Macedonia.

Pursuant to the Law on Protection of the Cultural Heritage, institutions for protection of the immobile cultural heritage are: the National Conservatory Centre as a head institution and (6) six conservatory centres for the field that they have been established. Institutions for protection of the moveable cultural heritage are the museum institutions and the Museum of the Republic of Macedonia - Skopje, as a primary institution; library institutions and the National and University Library St. Clement of Ohrid - Skopje, as head institution; the Film Archive of the Republic of Macedonia. Except the national and local institutions for protection of the cultural heritage, other competent and authorised entities for protection of the cultural heritage are the National Archive, authorised entity for protection of the audio materials is the National and University Library St. Clement of Ohrid - Skopje, for protection of the folklore treasures is the Folklore Institute Marko Cepenkov, Skopje, for protection of the language and the toponymes the authorised entity is the Macedonian Language Institute Krste Misirkov.

With an aim of maintaining and raising the quality of culture as essential value in the lives of the citizens of the Republic of Macedonia, a National Programme for Culture has been adopted for the period from 2004-2008 (Official Gazette of the Republic of Macedonia No. 31/04). It lays down the essential principles of culture as well as the goals and instruments for implementing the established strategy and the priorities of the cultural development.

General priorities have been laid down In the National Programme which relate to the general National Programme which will be implemented in the period until 2008, as well as the separate priorities that relate the activities in the cultural sphere, having in mind their peculiarities. The general priorities that are established with the National Programme are: decentralisation, balanced support of the cultural heritage and the contemporary creative activity, improvement of the management in culture, affirmation of the communities, cultural identity, cooperation with the non-governmental organisations and international cooperation with the neighbours.

In accordance with the Law on Culture and for the purpose of realisation of the National Programme, annual programmes are adopted for accomplishing the national interest in the culture. The means for accomplishing the national interest are provided by the Budget of the Republic of Macedonia and are allocated with the Annual Programme for pursuing the national interest in the area of culture.

In accordance with the Law on Organisation and Operation of the State Administrative Bodies (Official Gazette of the Republic of Macedonia No. 58/2000), the Ministry of Culture as a competent state body performs the activities that relate to: monitoring, analysing, proposing acts and measures for developing and improving the culture, the actions and activities in the cultural sphere, the protection of copyright and the related rights, supervision under its authority and other activities laid down by law. In the Ministry of Culture the total number of employees is 55.

The bodies within the Ministry of Culture that act as legal entities are the Directorate for Protection of Cultural Heritage and the Directorate for affirmation and promotion of the culture of communities in the Republic of Macedonia.

## **SHORT-TERM PRIORITIES**

### **PRIMARY AND SECONDARY EDUCATION**

- Amendments to the Law on Secondary Education by which the exams for the state matriculation exam will be regulated, school matriculation and final exam, starting from the school year of 2007/2008.
- Additional checks of the procedure for performing the state matriculation exam, the school matriculation exam and the final exam, control of the instruments by which assessment of knowledge will be performed in these exams, as well as additional training of teachers and employees of the Ministry of Education and Science for successful realisation of the state matriculation exam, the school matriculation exam and the final exam.
- Amendments to a part of the existent by-laws that derive from the amendments to the Law on Primary Education (Official Gazette of the Republic of Macedonia No. 63/04).
- Amendments to a part of the existent and adoption of new by-laws that derive from the amendments to the Law on Secondary Education (Official Gazette of the Republic of Macedonia No. 67/04).

- Computerizing the primary schools starting from the school year of 2007/2008, by which the pupils of the fifth grade will start learning Informatics, while for those from the first to the fourth grade the instructions will be carried out by implementing the software programme Tool Kid.
- Obligatory learning of the English language from the first grade and another second foreign language from the fifth grade. Starting with the school year 2007/2008 learning the English language in the first grade and second foreign language in the fifth grade will be obligatory for every pupil.

## **HIGHER EDUCATION**

- In 2007 the Universities will start issuing free Additional Diploma. For this purpose, assets have been planned in the Budget Proposal for the year of 2007 in amount of 2 million denars.
- Law on Establishing the University of Goce Delchev in Shtip,
- Law on Establishing Faculty for Public Administration and Diplomacy, within the frames of the University of St. Clement of Ohrid – Bitola.
- Adoption of new Law on Higher Education in accordance with the Bologna Process
- Establishing a National Agency for the Community Programmes in the field of education and training (Lifelong Learning and the Youth in action) as one of the preconditions for participation in the Programmes.
- For the Seventh Framework Programme (FP7), a separate unit will be established within the systematisation as Unit for Cooperation in FP7.

## **YOUTH**

- Law on Voluntarism especially regulating the rights and obligations of the volunteers, youth exchanges of volunteers with other countries, legal regulation of the volunteering mandate.
- The Agency for Youth and Sport will elaborate a Programme framework for staff education and professional help in the field of the youth work, youth programmes and sustainable youth development support as part of the preparations for participation in the European Union Youth Programme (2007-2013).
- Action Plan for implementation of the National Strategy for Youth

## **CULTURE**

- Law on Ratification of the Convention on Protection and Promotion of the Diversity of Cultural Expressing
- Proposal for enacting a Law on Ratification of the Framework Convention on the Value of Cultural Heritage for Society,
- Amending the Law on Culture for the purpose of creating normative presuppositions for further decentralisation in culture, by which in the second phase of the decentralisation ground will be created for transferring other institutions also on a local level.
- Rulebook on protective records.
- Rulebook on keeping, processing and manner of documenting the cultural heritage.
- Building relevant information system for cultural heritage by which a base for relevant data will be established, central information linkage of the public entities for protection of the cultural heritage and publicly accessible and accurate information on the cultural heritage. By enacting the relevant rulebooks normative presuppositions will be created for implementation of the Resolution of the Council of the European Union 3200G0706(02) on preserving the tomorrow's memory, preserving digital contents for future generations.
- Starting with work of the film fund and its staff equipping

## **MEDIUM-TERM PRIORITIES**

### **PRIMARY AND SECONDARY EDUCATION**

- Enacting a Law on Adult Education in accordance with the Resolution of the Council of 27 June 2002 on Lifelong Learning
- Amending Law on Primary Education and the Law on Secondary Education in direction of regulating the conditions and the procedure for licensing teachers for primary and secondary education and providing primary and secondary education for the children of citizens of EU countries.
- Regulating the conditions and the procedure for licensing the teachers in schools and enabling their constant education and improvement with the aim of their being constantly in pace with the current teaching processes.
- Providing conditions for education of citizens of EU countries in accordance with the standards prescribed in the Directive 31977L0486.

### **HIGHER EDUCATION**

- Implementation of the new legal regulation on higher education in accordance with the Bologna Process
- Change of the previous university model and its transformation into integrated university
- Attracting foreign investments in direction of opening institutions of higher education by eminent foreign universities.

- Establishing a State Examination Centre under whose authority the preparing and realisation of the State Matriculation Exam will be performed, as well as implementing the processes of external evaluation in the primary and secondary education.

## YOUTH

- Acceding of the Republic of Macedonia towards the European Charter on the participation of young people in the local life, via preparation and implementation of the Law on associative life of the youth and youth informing
- Forming a separate Commission for Youth within the Assembly of the Republic of Macedonia.

## FOREIGN ASSISTANCE

In the course of 2007 a pilot project of the Italian Government will be realised for culture and education, in cooperation with the International Management Group with office in Skopje. In accordance with the agreement with the Italian Government the project anticipates financial assistance in amount of € 1,710,000 and consists of financial and professional assistance for:

- renovation of the interior and the exterior of the Museum of Contemporary Arts in Skopje - € 400,000;
- for training/ assistance in management of the the Museum of Contemporary Arts - € 150,000;
- assistance for protection, valorisation and training for the archaeological sites Scupi, Heraclea and Stobi - € 540,000;
- support of the decentralisation process – € 290,000
- support for establishing the UNESCO Regional Centre for Digitalisation of Cultural Heritage (holder of the regional centre is the Directorate for Protection of Cultural heritage at the Ministry of Culture) – € 380,000.

In the course of 2007 the project “Cultural Heritage of Macedonia” will be realised with financial support in the amount of € 50,000 by the Regional Bureau of UNESCO-BRESCE. Within the frames of the project 4 publications will be issued for: The Macedonian Churches, The Ottoman Monuments, The Cultural heritage of Ohrid and Archaeological sites. The holder of the project is the Directorate for Protection of the Cultural Heritage at the Ministry of Culture, and the project is within the frames of the regional project of BRESCE for improving and promoting the cultural tourism.

- Draft Projects for which confirmation by UNESCO is expected:
  - Memory and Interpretation – MASA – sub regional project in the amount of € 35,000
  - The dance as expression of the cultural diversity – Interart, Skopje – sub regional project € 35,000.

In partnership with the British Council of the Republic of Macedonia, a project on development of the creative industries will begin in 2007. The funds for its implementation will be provided by the Government of the Republic of Macedonia and European foundations dealing with creative industries.

## INSTITUTIONAL BUILDING REQUIREMENTS

BUDGETARY BENEFICIARY/ INSTITUTION	INSTITUTION/ SECTOR	Current status 31.12.2006	2007	2008	2009	2010	Total
16001: Ministry of Education and Science	MES: Sector for Higher Education	5	1	1	1	1	4
	NEW: Centre for Vocational Education and Training	4	4	4	0	0	8
	NEW: National Agency for the Community Programmes in the Field of Education and Training	0	5	5	3	2	15
	NEW: Unit for FP7	0	1	1	0	0	2
16001: Ministry of Education and Science Total		9	11	11	4	3	29
16002: Bureau for Development of Education	BDE: Bureau for Development of Education	144	4	4	4	3	15
	NEW: State Examination Centre	0	3	3	2	2	10
16002: Bureau for Development of Education Total		144	7	7	6	5	25
16101: AYS: Agency for Youth and Sports	AYS: Agency for Youth and Sports/ Sector youth	3	3	3	3	3	12
16101: AYS: Agency for Youth and Sports/ Total		3	3	3	3	3	12
18001: Ministry of Culture	MC: Directorate for Affirmation and Promotion of the Culture of Communities in the Republic of Macedonia	2	2	2	3	3	10
	MC: Directorate for Cultural Heritage Protection	33	3	3	4	5	15

	MC: Sector for General and Legal Affairs	8	1	1	1	0	3
	MC: Sector for Culture, Artwork and Cultural Heritage	18	2	1	1	1	5
	MC: Sector for Financial and Investment Affairs	8	1	1	1	0	3
	MC: Sector for International Cooperation, European Integration, and UNESCO	7	1	1	1	1	4
18001: Ministry of Culture Total		76	10	9	11	10	40
<b>TOTAL</b>		<b>232</b>	<b>31</b>	<b>30</b>	<b>24</b>	<b>21</b>	<b>106</b>

## 3.27 ENVIRONMENT

### CURRENT SITUATION

#### STRATEGIC DOCUMENTS AND LEGISLATION

In the Republic of Macedonia, in the past several years, a number of laws and bylaws, as well as strategic documents which define the policies and guidelines for their implementation have been drafted and adopted in the area of environment.

The national legislation on environment is largely harmonised with the EU law in certain areas, while in others this process is at the initial stage of gap analysis (chemicals and GMO). Progress was made with the adoption of several bylaws deriving from the adopted laws. Further harmonisation will be achieved with adoption of the Law on Chemicals, Law on Genetically Modified Organisms and the Law on Environmental Noise, as well as with the adoption of the remaining bylaws.

#### Horizontal legislation:

The Law on Environment (Official Gazette of the Republic of Macedonia Nos. 53/05 and 81/05) is a framework Law in the area of environment which has transposed the segment of the *acquis communautaire* known as horizontal legislation. The Law on Environment lays down the basic principles and procedures for environmental management and pollution control referred to in other sectoral laws.

The following strategic and planning documents have been adopted in this area:

- The Second National Environmental Action Plan (NEAP 2) (2006);
- Environmental Monitoring Strategy (2006);
- Public Environmental Awareness Strategy (2005);
- Environmental Communication Strategy (2005);
- Environmental Data Management Strategy (2005);
- Strategy and Action Plan for the Aarhus Convention Implementation (2005);
- National Capacity Needs Self Assessment for Global Environmental Management (2005);
- Vision 2008 (2004);
- Physical Plan of the Republic of Macedonia, (2004), (Official Gazette of the Republic of Macedonia No.39/04);
- National Environmental Health Action Plan (NEHAP) (1999);

The Law on Environment regulates the environmental impact assessment (hereinafter referred to as: EIA), and in the course of 2005 and 2006 the relevant bylaws concerning this matter were adopted, thus enabling full regulation of the procedure for implementation of the EIA (Attachment: Table 1). In addition to this, the Law on Environment implements the requirements under the Convention on Environmental Impact Assessment in a Transboundary Context - Espoo Convention (Official Gazette of the Republic of Macedonia No. 44/99), which prescribes the procedure for environmental impact assessment in a transboundary context. The body responsible for the implementation of the overall EIA procedure is the Ministry of Environment and Physical Planning, including the segment of public participation in decision-making.

The strategic environmental assessment (SEA) procedure of certain strategies, plans and programmes is regulated by the Law on Environment, where full regulation will be accomplished with the adoption of the relevant bylaws planned to be realised in 2007, which at the same time will enable ratification and implementation of the SEA Protocol.

The procedure concerning the right to free access to environmental information is defined in the Law on Environment, which is *lex specialis* in relation to the Law on Free Access to Public Information (Official Gazette of the Republic of Macedonia No. 13/06) as a *lex generalis*. With the adoption of this Law, the procedural assumptions for the implementation of the Aarhus Convention have been fulfilled.

The Law on Environment has also established the legal framework for implementation of environmental monitoring and reporting. The manner and the form of reporting on each environmental medium and area have been regulated in the adopted sectoral laws.

The Republic of Macedonia through the Ministry of Environment and Physical Planning cooperates with the European Environment Agency (EEA) and its Topic Centres since 1998. Since the beginning of this cooperation, the Republic of Macedonia has been making a steady trend of improvement in both quality and efficiency of reporting, especially in the domain of priority data information flow in the frameworks of EIONET, where the proportion of data reported has reached from 29% in 2000 to the current 69%, ranking the country at the 17<sup>th</sup> position out of the 37 EEA member and cooperating countries. The abovementioned results have been achieved on the basis of the well established reporting system, which requires regular maintenance and further upgrading, thus enabling the country to comply with its reporting obligations towards the EEA and other relevant international organisations and agreements.

The grounds for environmental damage liability are laid down in the Law on Environment, while its full implementation requires adoption of the relevant bylaws to specify in more details the professional activities the performance of which could result in environmental damage liability.

At present, the work on amending the Law on Environment is underway, aiming at providing for a wider legal basis for adoption of a number of bylaws. The amendments of the Law will also regulate the manner, the type and the procedure for pronouncing fines directly by the State Environment Inspectorate, as specified in the Law on Misdemeanours (Official Gazette of the Republic of Macedonia No. 62/2006)

#### **Air**

The air quality management is regulated by the Law on Ambient Air Quality (Official Gazette of the Republic of Macedonia No. 67/04), which is harmonised with the Framework Directive 31996L0096. Several bylaws regulating individual limit values of emissions in the air are in force in the Republic of Macedonia, adopted on the basis of the old laws. On the basis of the Law on Ambient Air Quality some of those were replaced by adoption of the Decree on limit values of the levels and types of ambient air pollutants and alert thresholds, terms for limit values achievement, margins of tolerance for the limit values, target values and long-term targets for ozone, sulphur dioxide, nitrogen oxides suspended particles of 10 micro-meters, carbon monoxide and benzene (Official Gazette of the Republic of Macedonia No. 50/05); and Rulebook on the criteria, methods and procedures for ambient air quality assessment (Official Gazette of the Republic of Macedonia No. 82/06);

Chapter XIX of the Law on Environment regulates issues of climate change, where the amendments of the Law assign the MEPP as a body responsible for the reporting on climate change on national level.

In 2003, the First National Communication on Climate Change with Action Plan was adopted, and the drafting of the Second National Communication on Climate Change (2005-2008) is underway. The Strategy for Implementation of the Kyoto Protocol regarding the Framework Convention on Climate Change ("National Strategy on Mechanism for Clean Development – first period of the revised activities regarding the Kyoto Protocol 2008-2012), was adopted from the Government of the Republic of Macedonia in February 2007.

The protection of the ozone layer is regulated with the established system of permits for trading in ozone depleting substances, based on the adopted National programme for elimination of ozone depleting substances (1996). In the period 1996 – 2006, several stages of the project for complete elimination of the ozone depleting substances were implemented in the Republic of Macedonia. In addition to this, the Order for prohibition of the import of refrigerators, freezers or other cooling or freezing devices and of the import of ozone depleting substances was adopted (Official Gazette of the Republic of Macedonia No. 82/06).

#### **Waste:**

In the frameworks of CARDS 2001, the National Waste Management Plan was prepared and it is planned to be adopted in 2007, upon the adoption of the Strategy for Waste Management, the drafting of which is planned for 2007.

The Law on Waste Management (Official Gazette of the Republic of Macedonia Nos. 68/04 and 71/04) establishes the framework for waste management, including hazardous waste management, as well as other types of specific waste. On the basis of this Law, several bylaws have been adopted, incorporating the requirements of the *acquis*, and currently additional number of bylaws in this area is under preparation (Attachment: Table 1).

In the field of transboundary movement of waste, several laws and regulations are in force, such as:

- The Law on Ratification of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal (Official Gazette of the Republic of Macedonia No. 49/97) and the Law on Ratification of the Amendment to the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal and the Amendment to Annex 1, Annex 8 and Annex 9 (Official Gazette of the Republic of Macedonia No. 49/04);
- Rulebook on the form and the contents of the forms for transboundary movements of hazardous waste (Official Gazette of the Republic of Macedonia No. 37/03 and 38/03);
- Decision on distribution of goods on export and import forms (Official Gazette of the Republic of Macedonia No. 113/05), and
- Law on Carriage of Dangerous Goods (Official Gazette of the Socialist Federal Republic of Yugoslavia Nos. 27/90 and 45/90 and Official Gazette of the Republic of Macedonia No. 12/93);
- Rulebook on the manner and conditions for waste storage, as well as on the conditions to be met by the sites on which waste storage is performed.
- Rulebook on the form and the contents of the application for a permit for waste processing, treatment and/or storage, the form and the contents of the permit, as well as the technical requirements for the activity performance.

- Rulebook on the minimum technical requirements in terms of environmental protection to be met by the waste transfer stations, requirements to be met by the sites where waste transfer stations are built or placed, as well as on the terms for waste storage in the waste transfer stations according to the waste types.

In the frame of the CARDS project 2006, there is an ongoing project for managing the medicinal waste, which started in February 2007. In the framework of this project it will undertake different activities and will set down conditions for establishing the practice for managing the medicinal waste, on national level.

### **Waters:**

The Law on Waters (Official Gazette of the Republic of Macedonia Nos. 4/98, 19/00 and 42/05) establishes the legal framework for protection and management of waters in the Republic of Macedonia. It regulates the manner of water use and exploitation, the protection against harmful effects from water, protection of waters against excessive abstraction and pollution, waters management, the sources and the funding of water management activities, granting of water for use by means of approval (concession), transboundary water resources and other issues of relevance for the provision of unique regime of water use. Series of bylaws have been adopted on the basis of this Law, for the purpose of its implementation. The Law is not approximated with the *acquis communautaire* in this area.

The area of waters is also regulated by the following laws:

- The Law on Protection of the Lakes of Ohrid, Prespa and Dojran (Official Gazette of the Socialist Republic of Macedonia Nos. 45/77, 8/80, 51/88, 10/90 and Official Gazette of the Republic of Macedonia No. 62/93);
- The Law on Hydro-meteorological Matters (Official Gazette of the Republic of Macedonia Nos. 19/92 and 5/03);
- The Law on Mineral Resources (Official Gazette of the Republic of Macedonia Nos. 18/99 and 29/02);
- The Law on Inland Waterways Navigation (Official Gazette of the Republic of Macedonia Nos. 27/00 and 74/05);
- The Law on Fisheries (Official Gazette of the Republic of Macedonia No. 62/93);
- The Law on Water Communities (Official Gazette of the Republic of Macedonia Nos. 51/03 and 95/05);
- The Law on Water Management Enterprises (Official Gazette of the Republic of Macedonia Nos. 85/03 and 95/05);
- The Law on Drinking Water Supply and Urban Wastewater Drainage (Official Gazette of the Republic of Macedonia No. 68/04), and
- The Law on Concessions (Official Gazette of the Republic of Macedonia No. 25/02 и 24/03).

In order to overcome the deficiencies identified in the existing Law on Waters, and for the purpose of introducing an integrated approach to water management, in accordance with the requirements of the EU legislation, in 2003 the drafting of the new Law on Waters was initiated. In the Draft-Law on Waters the basic requirements of the EU Water Framework Directive 32000L0060 are transposed.

### **Nature:**

The area of nature protection is regulated by the Law on Nature Protection (Official Gazette of the Republic of Macedonia Nos. 67/04 and 14/06). This Law is harmonised with the *acquis communautaire* in this area, and it also incorporates the obligations deriving from the ratified international agreements in the field of nature. Full implementation of this Law will be achieved through the adoption of the relevant bylaws.

The following strategic and planning documents have been adopted in this area:

- National Strategy for Biological Diversity Protection with Action Plan (2004);
- National Study on Biological Diversity (2003).

In 2006, for the purpose of compliance with the Law on Nature Protection, the existing organisations of national parks and protected areas have been transformed into Public institutions for national parks and Public Enterprise, for the purpose of which several legal acts were adopted. In order to regulate the issue of adoption of protected areas management plans, the Rulebook on the contents of the protected areas management plans and the contents of the annual programmes for nature protection was adopted on the basis of the Law on Nature Protection (Official Gazette of the Republic of Macedonia No. 117/05).

Through donation provided by the Swiss Government, the Plan for Management of the Pelister National Park was drafted and adopted, and the activities for its implementation started with the second phase of the Swiss support. In addition to this, the Smolare Waterfalls and King Marko's Towers (Markovi Kuli) were designated as protected areas – monuments of nature.

### **Industrial pollution:**

The Directive on Integrated Pollution Prevention and Control (IPPC) has been transposed in the Law on Environment (Official Gazette of the Republic of Macedonia Nos. 53/05 and 81/05). In 2005 and 2006, several bylaws have been adopted, providing almost full regulation of this area (Attachment, Table 1). The sectoral laws, especially in the areas of air and waste, refer to the application of the IPPC provisions.

Under the Project CARDS 2004, activities have been initiated in relation to the preparation of compliance permits with operational plans for five pilot companies from the list of major industrial facilities that, through their activity, make significant environmental impacts in the Republic of Macedonia, namely: Feni Industry - Kavadarci, Silmak – Jegunovce, Usje Cement Plant (Titan) – Skopje, Makstil – Skopje and Oil Refinery Okta – Skopje. Apart from those, the MEPP has received three more applications for issuing compliance permits with operational plans by Eurokompoziti – Prilep, Mittal Steel – Skopje and MZT Foundry – Skopje. The full implementation of the provisions in this area requires capacity strengthening of the MEPP. According to the new organisational set-up of the MEPP, a special Unit for IPPC is established within the Directorate for Environment.

The area of prevention and control of major accidents involving dangerous substances is regulated in the Law on Environment, while its full implementation will be achieved with the adoption of the relevant bylaws.

The Law on Environment stipulates awarding national eco-label. For this purpose, a Commission for eco-label was established and the Rulebook on the form and the contents of the eco-label, the manner, the conditions and the procedure for its awarding and use, as well as the composition and the manner of establishment and work of the Commission for eco-label (Official Gazette of the Republic of Macedonia No. 109/05) has been adopted.

A public announcement for elaboration of studies and rulebooks on specifying the criteria for awarding eco-label to tourist facilities and to manual dishwashing detergents is underway. A Draft Rulebook on the manner of specifying criteria for awarding eco-labels and a Draft Rulebook on the criteria for awarding eco-labels for cardboard packaging have been prepared.

The above Law also establishes the grounds for the introduction of the environmental management system.

#### **Genetically modified organisms:**

In this area, through the cooperation with GEF and UNEP, the National Bio-safety Framework was developed (2005) as well as a working version of the Law on Genetically Modified Organisms.

There is no legal regulation in the Republic of Macedonia regulating the issues concerning management of GMO and products containing GMO, deliberate release into the environment or release of GMO or of products containing GMO, as well as the export, the import and the cross-border transportation of GMO.

#### **Chemicals:**

For the purpose of reducing the current amounts of organic pollutants, and thus implementation of the Stockholm Convention, the National Plan for Reducing and Eliminating the Persistent Organic Pollutants in the Republic of Macedonia was adopted (2005).

In 2006, the conceptual approach to chemicals management was developed. At the same time, the Terms of reference for the five-year programme for technical cooperation between the Chemicals Inspectorate of the Kingdom of Sweden and the MEPP are under development, and it includes national and regional components for safe chemicals management. The programme will include legal and institutional components in this area.

There is no framework law in the area of chemicals, which would regulate chemicals management in accordance with the relevant *acquis communautaire*. The national legislation regulates issues of management of poisons, plants protection products, fertilizers, explosive matters, flammable liquids and gases, hazardous and harmful substances and products, etc. There are separate laws on flammable and explosive substances and on precursors. The Law on Environment regulates partially the issues in the area of ozone depleting substances.

In the moment the Proposal to pass the Law on chemicals is preparing in the Ministry of Health – Medicine Biro.

#### **Noise:**

The Law on Harmful Noise Prevention (Official Gazette of the Socialist Republic of Macedonia Nos. 21/84, 10/90 and Official Gazette of the Republic of Macedonia No. 62/93) regulates the area of protection against noise. Segments of this area are also regulated by:

- The Law on Environment (Official Gazette of the Republic of Macedonia Nos. 53/05 and 81/05);
- The Law on Catering Industry (Official Gazette of the Republic of Macedonia No. 62/04), and
- The Law on Sanitary and Health Inspection (Official Gazette of the Republic of Macedonia No. 19/95).

This area is also regulated by a number of bylaws. In the moment the Proposal to pass the Law on Environmental Noise is preparing.



## **Forestry:**

In June 2006, the Government of the Republic of Macedonia adopted the National Strategy for Sustainable Development of Forestry with Action Plan.

The Law on Forests (Official Gazette of the Republic of Macedonia No. 47/97, 7/00 and 89/04) regulates forests cultivation, use and protection, where the protection of the forests is an integral and indivisible part of forest management. Forest protection includes protection against: unlawful usurpation and use, illegal timber felling, fires, plant diseases and pests, cattle grazing, collecting acorns, unlawful collection of other forest products and other damages. With reference to the management of forests in state and private ownership, the Assembly of the Republic of Macedonia adopts a general plan for forest management for a period of 20 years. On the basis of this plan, the forest managing entities adopt specific plans for forest management, for a period of 10 years.

In the procedure is Law on Reproductive Material of Forest Tree Species. in which Council Directive 1999/105/EC on the marketing of forest reproductive material, is transposed.

**The protection and rescue** of people and material goods against natural disasters, epidemics, epizooties, epiphytotics and other accidents in peace and war conditions, as well as against war activities, are regulated by the Law on Protection and Rescue (Official Gazette of the Republic of Macedonia Nos. 36/04 and 49/04) and the Law on Fire Fighting Services (Official Gazette of the Republic of Macedonia No. 67/04).

## **INSTITUTIONAL FRAMEWORK**

According to the Law on Organisation and Operation of the State Administrative Bodies (Official Gazette of the Republic of Macedonia Nos. 44/02 and 58/00), the Ministry of Environment and Physical Planning (MEPP) is the competent state body with regard to policy creation and implementation of policies in the area of environment protection, improving and monitoring the quality and the status of environmental media and areas: air, water, soil, waste, biological diversity and other natural resources, including also the national parks and the protection of the ozone layer. The MEPP is also the responsible state body for protection against harmful impacts, such as: noise and vibrations, ionising and non-ionising radiation in nature, performance of different activities, polluting substances and technologies.

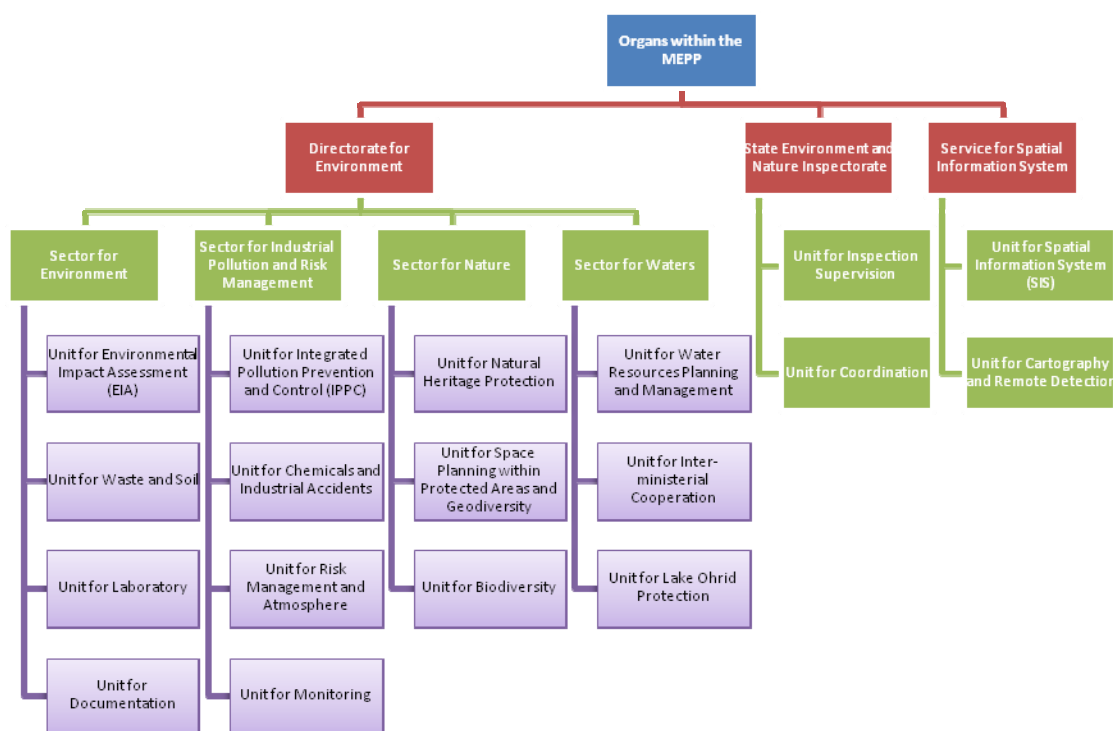
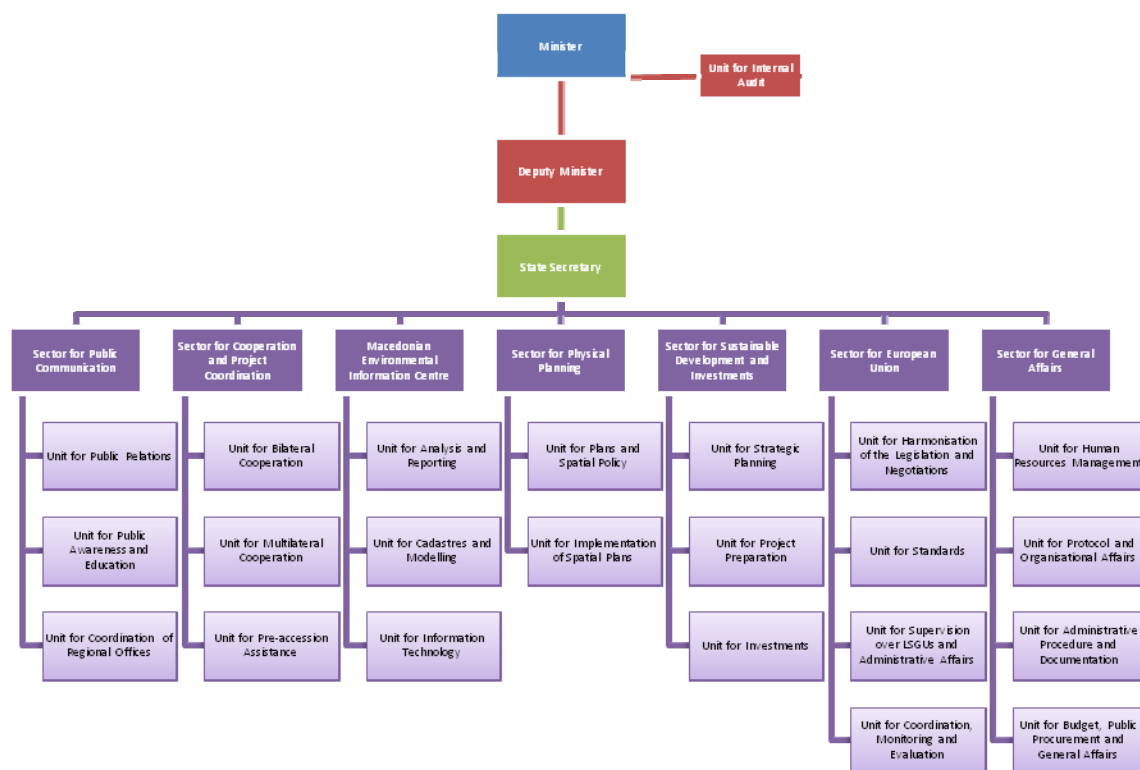
The MEPP is the competent state body with regard to the preparation and coordination of the process of environmental legal acts drafting, where, taking into consideration the interdisciplinary nature of the environment and the need for integrated approach, the relevant state institutions are involved and consulted in this process.

According to the new environmental legislation, the MEPP holds full responsibility for implementation of the laws. Namely, the MEPP is the responsible state body for implementation of the environmental impact assessment procedure of certain strategies, plans and programmes, access to environmental information, adoption of strategic plans in the area of environment, sustainable development and climate change, protection against desertification and other global environmental issues, monitoring and reporting on the state of environmental media and areas, management of the environmental information system, environmental damage liability, environmental protection financing, etc.

On the basis of the adopted legislation, the MEPP has adopted the new organisational set-up of the Ministry, in which organisational units related to the obligations for the implementation of the *acquis communautaire* have been created. The MEPP is oriented towards creation of environmental policies, while the expert affairs in the area of environment will be performed by the Directorate for Environment and the Service for Spatial Information System as bodies within the MEPP.

Namely, the former Service for Environment has been transformed into Directorate for Environment, by which the obligation deriving from the Law on Environment has been fulfilled. This Directorate is the responsible body for the implementation of the procedures for permitting, especially the procedures concerning environmental impact assessment, integrated pollution prevention and control, prevention and control of major accidents involving dangerous substances, waste management and air quality, nature protection and protection of water resources against pollution. The Directorate for Environment will also carry out expert and administrative activities in the area of nature protection, expert activities concerning waste, air, chemicals, noise and other environmental areas management, expert activities concerning the protection of waters and soils against pollution, keeping the Cadastre of Environment and the Register of polluting substances and their characteristics, environmental monitoring and other matters prescribed by the law.

The inspection supervision over the laws implementation is carried out by the State Environment Inspectorate, a body within the MEPP responsible for supervision over the environmental legislation implementation and enforcement. Within the Inspectorate, besides the state environment inspectors, state inspectors for nature protection have been introduced in accordance with the Law on Nature Protection.



According to the current competence of the state administrative bodies specified in the Law on Organisation and Operation of the State Administrative Bodies, besides the MEPP, certain responsibilities in the domain of environment are performed by other state administrative bodies, such as: the Ministry of Transport and Communications - State Communal Inspectorate, the Ministry of Health - State Sanitary and Health Inspectorate, the Republic Institute for Health Protection, the Bureau for Drugs, the Food Directorate, the Ministry of Education and Science – Hydro-biological Bureau - Ohrid, the Ministry of Agriculture, Forestry and Water Economy - Water Economy Directorate, Hydro-meteorological Directorate, as well as the Protection and Rescue Directorate.

According to the Law on Local Self-Government (Official Gazette of the Republic of Macedonia No. 5/02), the local self-government units (LSGUs) are competent and responsible to regulate and to perform the matters of public interest of local relevance, specified by law. The Law also defines the list of statutory competences of LSGUs, which include the protection of the environment and nature. After the decentralisation, many competences have been delegated to the LSGUs. In the process of strategic environmental assessment, LSGUs participate in the performance of public discussions for the adoption of the plans,

strategies and programmes. The LSGUs may establish local environmental monitoring and to manage part of the national environmental monitoring network provided that this is delegated to them by the MEPP. LSGUs also have competence in the access to environmental information, local sustainable development, and in the performance of communal services, such as drinking water supply, delivery of technological water, wastewater drainage and treatment, storm waters drainage and treatment, regulation, maintenance and use of riverbeds in urbanised areas, public hygiene, management of municipal, commercial and other types of non-hazardous waste on local level, prevention and control of major accidents involving hazardous matters and substances and undertaking measures for protection against and prevention of industrial air pollution.

LSGUs are obliged to assign local environmental inspectors that will perform inspection supervision over the implementation of the provisions of the laws regulating the LSGUs responsibilities. An overview of the number of assigned environmental advisors and inspectors is given in the Attachment – Table 2. In addition to the above, the LSGUs are entitled to authorise their communal inspectors to perform the tasks of environmental inspectors as well, provided they meet the condition of educational background and number of working years as specified in the Law on Environment. According to the same Law, the LSGUs should report to the MEPP on annual basis on the performance of inspection supervision, in accordance with the Law on Environment and the Rulebook on the contents of the annual report on the performed inspection supervision, as well as on the manner and the conditions of its submission (Official Gazette of the Republic of Macedonia No. 71/06). The report describes the contents of the annual report on the performed inspection supervision, as well as on the manner and the conditions of its submission.

LSGUs are also obliged to draft annual programmes for the performance of inspection supervision, while the amendments to the Law on Environment will establish the obligation for submitting the programmes to the MEPP.

The laws define precise distinction between the respective competences of the state and local environmental inspectors. In general, the state inspector is responsible for major installations covered by the IPPC (IPPC Directive) registered as A-installations. The local environmental inspectors have responsibility for smaller installations recognised as B-installations. The state and local environmental inspectors are obliged to cooperate and to exchange information on the conditions recorded, resulting from the performance of the inspection supervision or obtained through reports of different persons. In case a LSGU fails to perform the inspection supervision, the MEPP is obliged, first to warn the LSGU thus obliging it to overcome the state in the specified period. In case the LSGU fails to act in accordance with the warning, then the MEPP may take over the performance of the inspection supervision at local level, through the state inspectors, for a period not longer than one year.

## **SHORT-TERM PRIORITIES**

### **STRATEGIC DOCUMENTS AND LEGISLATION**

In the frameworks of CARDS 2005, the preparation of the National Strategy for Environmental Legislation Approximation (2006-2007) started. Within the framework of this Strategy, nine sectoral strategies will be prepared, concerning the approximation of the legislation in the following areas: horizontal legislation, waste, waters, air, nature and forests, chemicals, genetically modified organisms, noise and industrial pollution control, as well as plans for the implementation that will cover the relevant heavy coast directives, including financial estimates for their full implementation.

The adoption of the Strategy and the investment plans is expected in the second quarter of 2007. On the basis of the investment plans and the estimates of costs required to achieve harmonisation with the *acquis communautaire*, the Strategy for Environmental Investments will attribute particular priority to waste management and wastewater treatment.

In 2007, activities will be carried out towards drafting the Strategy for Sustainable Development with Action Plan, where the MEPP plays the key role.

### **Horizontal legislation:**

Amendments of the Law on Environment, represent the wide legal base for enacting the several bylaws concerning this area. The amendments of the law settle down the way, type and the procedure for pronouncing direct sanctions from the State Environmental Inspectorate, which are harmonised with Law on misdemeanours (OJ of RM no.62/06).

For the purpose of establishing grounds for further transposition of the *acquis communautaire*, it is planned to adopt the following bylaws:

In the area concerning access to environmental information:

- Decision of the Government of the Republic of Macedonia on publication of the list of entities holding environmental information or for which such information exist, as well as the information held by each of the listed entities;
- Decree determining the amounts and the cases in which compensation of the costs for providing environmental information shall be paid, as well as the cases of release from the obligation to pay compensation for providing information;
- Rulebook on the manner and the procedure of providing access to environmental information;
- Rulebook on the manner, the procedure and the form on which data from the national network are submitted, as well as the manner and the conditions of data delivery to the state administrative body responsible for the affairs of the environment from the local, internal monitoring and monitoring of other state administrative bodies; and

In the area concerning the strategic environmental assessment:

- Decree on the strategies, plans and programmes, including amendments to such strategies, plans and programmes (planning documents) subject to compulsory environmental and human health and life impact assessment, as well as on the criteria on the basis of which decision will be made to carry out strategic assessment of other strategies, plans and programmes that may have significant impact on the environment and on human life and health
- Decree on the contents of the strategic environmental assessment report ;
- Rulebook on the manner of publication of information and on the participation of the public in the adoption of the planning document and the manner of the report preparation.

#### **Air:**

This year, it is planned to amend the Law on Ambient Air Quality Management, which will ensure establishing wider legal grounds for the adoption of several bylaws and harmonisation of this Law with the Law on Misdemeanours, for the purpose of introducing direct fines.

The following bylaws are planned to be adopted:

- Rulebook on the methodology and the manner of preliminary assessment and establishment of lists of zones and agglomerations of ambient air quality;
- Rulebook on the establishing the national methodology for inventory of emissions in accordance with the CORINAIR Programme; and
- Rulebook on the limit values for stationary sources of emissions in the air.

In the segment of climate change, Second National Communication on Climate Change with an Action Plan of measures and activities for prevention of causes and mitigation of the negative effects from climate change (2005-2008) is in progress as well.

#### **Waste:**

For the purpose of implementing the Law on Waste Management, the Strategy for Waste Management will be adopted by June 2007, while the National Waste Management Plan will be adopted.

In the coming period, it is planned to adopt the Law Amending the Law on Waste Management, in order to further precise and provide legal grounds for full transposition of the *acquis communautaire*, harmonisation with the new Framework Waste Directive, as well as harmonisation with the Law on Misdemeanours, for the purpose of introducing direct fines. In addition to the above, the adoption of the following bylaws is planned:

- Rulebook on hazardous waste handling;
- Rulebook on waste oils handling;
- Rulebook on the manner and the conditions for handling polychlorinated biphenyls and polychlorinated terphenyls, the conditions to be met by installations and facilities for PCB disposal and decontamination, on used PCB and on the manner of labelling the equipment that contains PCB;
- Rulebook on the form and the contents of the application for landfills establishment;
- Rulebook on the form and the contents of the application for permit, as well as the form and the contents of the permit for landfill operator;
- Rulebook on the criteria and the procedures for acceptance of waste in landfills of all classes, the quantity of biodegradable components in the waste allowed for disposal, preparatory activities for waste acceptance, general procedures for testing and sampling;
- Rulebook on the manner and the procedure for the operation, monitoring and control of the landfill in the closing stage and further care for the landfill after the closure, and
- Rulebook on the types of wastes that are subject to import, export or transit permit, the conditions for import, export or transit of waste, and the methods for supervision over the import, export or transit of waste.

In the frameworks of CARDS 2006, in the course of 2007, a project for medical waste management will be initiated, under which analyses will be conducted and conditions for establishing practice of medical waste management on national level will be set.

#### **Waters:**

For the coming period, the adoption of the new Law on Waters, fully harmonised with the EU law, as well as part of bylaws deriving from the Law, has been planned.

With regard to the matter of wastewater treatment, it is planned to prepare and adopt a Strategic Coherent Framework and Operational Programme for transport and environment by the end of June 2007, as preparatory steps in the process of using the EU pre-accession assistance.

Within the frames of CARDS 2006, the preparation of technical documentation and application for wastewater treatment in the Municipality of Prilep will be initiated in 2007, in order to use the funds of the pre-accession assistance instrument.

In the area of water resources management, the MEPP carries out several projects supported by bilateral donors and international financial institutions listed in the section on foreign assistance (active and required – Form 3).

**Nature:** In the coming period, it is planned to adopt the Law Amending the Law on Nature Protection, in order to further precise and provide legal grounds for full transposition of the *acquis communautaire*, and to harmonise this Law with the Law on Misdemeanours, for the purpose of introducing direct fines. The amendments will also provide for full implementation of the CITES legislation and Convention. In this period, the adoption of the following regulations is planned:

- Decree on trade in wild species, in which the requirements of the EU measure 31997R0338 will be fully transposed, thus providing for full implementation of the CITES Convention;
- Decree on the establishment of environmental network and areas of international importance, and
- Rulebook on determining and protection of the types of habitats.

#### **Industrial pollution:**

The adoption of the remaining bylaws concerning the issuance of integrated environmental permits, i.e. compliance permits with operational plans, has been planned for this period, namely:

- Decree on the amount of the compensation to be paid by the operators of A-installations and on the criteria and the manner of determining and calculating the compensation for B-installations;

CARDS 2006 includes a component on industrial hot-spots, through which remediation plans should be drafted, with the financial requirements for elimination of industrial hot-spots.

#### **Genetically modified organisms - GMO:**

The finalisation and the adoption of the Law on GMO is planned for the second quarter of 2007.

#### **Chemicals:**

In the area of chemicals, it is planned to initiate the implementation of the five-year programme on technical cooperation of between the Chemicals Inspectorate of the Kingdom of Sweden and the MEPP; which includes national and regional component on sound chemicals management. The Programme will also include drafting of the Law on Chemicals and Strategy for Sound Chemicals Management, with which the Republic of Macedonia will prepare itself for the new REACH system for sound chemicals management.

Except the adoption of the Law on Chemicals priority will be given to the adoption of the relevant bylaws on regulating the classification and the marking of dangerous substances and bylaws on safety lists, because these regulations will not be subject to amendments upon the implementation of the forthcoming REACH legislation.

In cooperation with the Secretariat for Strategic Approach to International Chemicals Management (SAICM/UNEP), the MEPP will initiate the development of the project aimed at developing and giving guidelines for a national plan for strategic approach to chemicals management in the Republic of Macedonia.

In the segment of POPs reduction and elimination, the project on PCB elimination in the Republic of Macedonia is expected to start with the financial support from GEF (the project application will be submitted by the end of 2006 to GEF for funding). Its approval is expected till the second quarter of 2007.

#### **Noise:**

The adoption of the Law on Environmental Noise is planned to be adopted by May 2007. In addition to this, the following bylaws are planned to be adopted by the end of this year:

- Rulebook on determining the assessment methods, the limit values and area of application of the noise indicators and additional indicators
- Rulebook on the manner, the conditions and the procedure for setting and operating of the networks and methodology for monitoring, the conditions, the manner and the procedure for providing information and data on the noise monitoring

#### **Forestry:**

After the adoption of the Strategy for Sustainable Development of the Forestry, in the forthcoming period, its implementation of all activities provided for under the Action Plan for the period 2007-2009 will start.

#### **Protection and rescue:**

It is planned to start the drafting of a National Strategy for Protection and Rescue of the Republic of Macedonia, an Assessment of threat from the occurred natural disasters, epidemics, epizooties, epiphytotics and other accidents in the Republic of Macedonia and Plan on protection and rescue from the occurred natural disasters, epidemics, epizooties, epiphytotics and other accidents in the Republic of Macedonia. Amendments to the Law on Protection and Rescue are foreseen, as well as adoption of a part of the bylaws deriving from this Law.

## INSTITUTIONAL FRAMEWORK

In December 2006, the Ministry of Environment and Physical Planning adopted new administrative and organisational structure based on the Functional Analysis and the Plan for Institutional Development of the MEPP. Namely, the Ministry is organised in accordance with the individual environmental sectors/areas corresponding to the obligations posed by the approximated legislation, and for the purpose of defining and efficient fulfilment of the new competences and responsibilities of the MEPP. The total number of the full time employees and the plan for future employments are given in table 3 below.

The bodies within the MEPP include: The State Environment Inspectorate, the Service of Spatial Information System and the Directorate for Environment, which pursuant to the Law on Environment was established through transformation of the former Service for Environment.

In 2007, staffing and technical strengthening of the Directorate for Environment are planned, with priority to the Units on IPPC, EIA and waste. In the framework of the bilateral cooperation with the Kingdom of Sweden, the start of the project by which the Swedish Environmental Protection Agency will support the activities aimed at institutional strengthening of the Directorate for Environment in individual areas, is scheduled for the second half of 2007.

In parallel with the Directorate, staffing and technical strengthening will be carried out in the inspection office as well, through implementation of specialised training of inspectors at both national and local levels, focusing on pronouncing direct fines stipulated in accordance with the relevant laws and in the new Law on Misdemeanours.

Within the MEPP, in the area of climate change, it is planned to determine the conditions for establishing national authorised authority, for approval of projects at national level, related to the implementation of the Clean Development Mechanism.

It is also planned to strengthen the sectors within the Ministry for using the EU pre-accession assistance.

The Secretariat of European Affairs, in cooperation with the MEPP, is the competent body for concluding Memorandum of Understanding with the Directorate General for the Environment of the European Commission with regard to the LIFE Programme. The MEPP will be the national focal point for evaluation and submission of applications to the Commission.

The Draft-Law on Waters provides for establishing bodies for water resources management with regard to river basin management, in order to achieve integrated approach to water use, as well as establishing a National Council on Waters, as an advisory body in determining the water management policy.

Institutional strengthening of the Protection and Rescue Directorate is also planned.

New employments are planned in 2007, according to the organisational units of the MEPP given in Table 3 below.

**Table 3**

Bodies within MEPP	Sectors within MEPP	Units within Sectors	New employments in 2007	Total number of new employments by 2010
MEPP			14	38
	Sector for General Affairs		1	3
		Unit for Human Resources Management		2
		Unit for Protocol and Organisational Affairs		
		Unit for Administrative Procedure and Documentation	1	
		Unit for Budget, Public Procurement and General Affairs		1
	Sector for Legislation and Standardisation		5	12
		Unit for Legislation and Approximation	3	6
		Unit for Standards	1	4

		Unit for Administrative Supervision over LSGUs and Administrative Affairs	1	2
	Sector for European Integration and International Cooperation		2	6
		Unit for International Cooperation		1
		Unit for Cooperation with the European Union	1	2
		Unit for Pre-accession Assistance	1	3
	Sector for Sustainable Development		3	5
		Unit for Strategic Planning	1	1
		Unit for Projects Preparation		2
		Unit for Investments	2	2
	Sector for Physical Planning			3
		Unit for Plans and Spatial Policy		2
		Unit for Implementation of Spatial Plans		1
	Sector for Public Communication			3
		Unit for Public Relations		2
		Unit for Public Awareness and Education		1
		Unit for Coordination of Regional Offices		
	Macedonian Environmental Information Centre		3	6
		Unit for Analysis and Reporting	1	3
		Unit for Cadastres and Modelling	2	1
		Unit for Information Technology		2
<b>Directorate for Environment</b>			<b>29</b>	<b>52</b>
	Sector for Environment		11	10
		Unit for Environmental Impact Assessment	4	2
		Unit for Waste and Soil	7	3
		Unit for Laboratory		3
		Unit for Documentation		2
	Sector for Industrial Pollution and Risk Management		8	17
		Unit for Integrated Pollution Prevention and Control	5	9
		Unit for Chemicals and Industrial Accidents	2	2
		Unit for Risk Management and Atmosphere	1	3
		Unit for Monitoring		3
	Sector for Nature		7	12
		Unit for Natural Heritage Protection	2	5
		Unit for Space Planning within Protected Areas and Geodiversity	2	3
		Unit for Biodiversity Protection	3	4
	Sector for Waters		3	13
		Unit for Water Resources Planning and Management	2	5
		Unit for Intersectoral Cooperation	1	5
		Unit for Lake Ohrid Protection		3
<b>State Environment Inspectorate</b>			<b>4</b>	<b>10</b>
		Unit for Inspection Supervision	4	7
		Unit for Coordination		3

Service for Spatial Information System				3
		Unit for SIS		1
		Unit for Cartography and Remote Detection		2
ALL IN TOTAL			47	103

Regarding the new, planned employment there is an explanation that this are projection of MOEPP, made according to analysis of function from the new laws and responsibilities of the ministry. MOEPP planned all new employees to be undertaking from the other state administrative bodies, and also with new employment.

With regard to the capacities of LSGUs, the MEPP plans to carry out detailed projections of their needs in the context of implementation of their responsibilities. To this end, MEPP plans to assess the current capacities of the LSGUs and to develop a plan for their institutional development. MEPP negotiates with the UNDP on providing the required funds for the implementation of the assessment and of the plan, the realisation of which is envisaged for 2007.

For the purpose of capacity building of the LSGUs, the MEPP's regular practice is to involve the civil servants from the LSGUs in all its activities. In this manner, as well as through funding of the LEAPs, the MEPP contributes to the upgrading of the capacities of the LSGUs, as well as to raising the awareness and the knowledge within the LSGUs regarding their obligations and rights in the area of environment.

## **MEDIUM-TERM PRIORITIES - PERIOD STRATEGIC DOCUMENTS AND LEGISLATION**

### **Horizontal legislation:**

In the coming period, the adoption of the Strategy for Sustainable Development in the Republic of Macedonia with Action Plan is planned (2008), as well as drafting and adoption of a Report on the state of the environment (2008).

Adoption of additional bylaws is also foreseen in this area, based on the Law on Environment that will regulate, *inter alia*, environmental damage liability, prevention and control of major accidents involving dangerous substances and climate change. These include:

1. Rulebook on the manner and the procedure for collection, processing, systematisation, storage, use, distribution and presentation of data and information obtained through the national monitoring network, local monitoring network, internal monitoring, as well as data from the Cadastre of polluters and the Register of pollutants;
2. Rulebook on determining professional activities, whose performance, may lead to occurrence of environmental damage liability;
3. Rulebook on the measures for remediation of the occurred environmental damage;

In this period, it is also planned to adopt the remaining bylaws deriving from the amendments to the Law on Protection and Rescue.

### **Air:**

The Second National Communication on Climate Change with and Action Plan of measures and activities for prevention of the causes and for the mitigation of the negative effects from climate change is planned to be adopted in the second quarter of 2008.

In this period, it is planned to adopt the National Plan for Ambient Air Protection, in accordance with the Law on Ambient Air Quality Management.

In addition to the above, it is planned to accede to and ratify the Protocols to the Convention on Long-Range Transboundary Air Pollution, and the following bylaws based on the Law:

1. Rulebook on the monitoring and reporting on ambient air quality;
2. Rulebook on the form and the contents for the preparation of the National Plan for Ambient Air Protection;
3. Rulebook on the methodology for the limit values of the annual emissions in the air and
4. Rulebook on emission limit values from mobile sources.

On the basis of the Law on Environment, it is planned to adopt the following bylaws, concerning climate change:

1. Rulebook on the methodology for detailed contents and the manner of drafting the National Plan for Climate Change Mitigation;
2. Rulebook on the conditions, the manner and the procedure for drafting the National Inventory of anthropogenic emissions by sources and sinks of greenhouse gases, and
3. Rulebook regulating the schemes of greenhouse gas emissions trading.



Regarding to the air quality monitoring system, its upgrading is planned for this period, through five new monitoring stations, as well as provision of software for automatic data validation.

#### **Waste:**

It is planned to adopt the following bylaws:

1. Rulebook on handling used batteries and accumulators, the manner of labelling and the manner of public information;
2. Rulebook on the manner of package labelling, the types of labels, their contents and handling;
3. Rulebook on the form and contents of the permit for return reception of used packages;
4. Decree on handling packages and waste from packaging;
5. Rulebooks on the specific conditions and the manner of end-of-life motor vehicles treatment;
6. Rulebooks on handling electrical and electronic devices;
7. Rulebooks on handling waste from titanium dioxide, as well as the form, the contents and the manner of submitting data;
8. Rulebook on the minimum technical conditions to be met by installations for waste incineration or co-incineration, the type of waste intended for incineration or co-incineration, conditions for environment protection from the work of the installations for waste incineration or co-incineration, as well as on the conditions and the manner of work of the installations, and
9. Rulebook on the form and the contents of the application for permit, as well as on the form and the contents of the permit for waste incineration or co-incineration installation operator.

#### **Waters:**

In this period, it is planned to adopt the National Strategy for Waters and the Water Master Plan of the Republic of Macedonia.

The planned Law on Waters prescribes adoption of a high number of bylaws, among which the following are the most important:

1. List of polluting substances and matters, priority matters and substances, conditions for installation and operation of plants operating with dangerous substances and matters and the manner of their testing prior to their putting into operation;
2. Rulebook on the specific conditions for indirect release of wastewaters into ground waters and the measures and activities to be undertaken for their protection;
3. Rulebook on the conditions, the manner and the emission limit values for wastewater discharges upon treatment, taking into consideration the special requirements for protective zones protection, and
4. Rulebook on detailed conditions for urban wastewaters collection, drainage and treatment, the manner and the conditions for designing, construction and exploitation of the urban wastewater treatment systems and plants, as well as technical standards, parameters, emissions standards, and the norms for the quality of wastewater pre-treatment, removal and treatment, taking into consideration the load and the treatment method for urban wastewaters discharged into zones sensitive to urban wastewater discharges.

#### **Nature:**

Drafting and adoption of the National Strategy for Nature Protection is planned for the coming period, as well as drafting and adoption of several bylaws, among which the following are of key importance:

- List of strictly protected and protected wild species, and
- Methodology for nature status monitoring

#### **Industrial pollution:**

For the coming period, it is planned to implement the procedure for issuing integrated environmental permits for compliance with an operational plan, as well as adoption of specific rulebooks establishing the criteria for eco-labelling.

In the area of prevention and control of major accidents involving dangerous substances, it is planned to adopt a Rulebook on the contents of the internal and external emergency plans and on the manner of their approval and a Rulebook on dangerous substances, limit values (thresholds) for dangerous substances presence and criteria or properties by which the substance is classified as dangerous.

#### **Generically modified organisms:**

Adoption of the relevant bylaws is planned in order to regulate the following issues: criteria for restricted use of GMOs; compulsory management and other conditions concerning the import and the export of GMOs; scope of the risk assessment in relation to restricted use and deliberate release of GMOs in the environment; methodology, elements and scope of the risk assessment in product release for trade; products labelling and packaging; content and scope of the monitoring programme; the form, the contents, the methodology and the manner of keeping a register, as well as the amount of costs for data provision.

#### **Chemicals:**

The adoption of the National Strategy for Sound Chemicals Management and the relevant bylaws based on the Law on Chemicals is planned for this period.

### **Noise:**

It is planned the following bylaws to be adopted in this period on the basis of the Law on Environmental Noise:

1. Rulebook on the manner of drafting and the contents of the strategic noise maps ;
2. Rulebook on the manner of drafting and the contents of the action plans for environmental noise;
3. Rulebook on the manner of disclosing information and public participation and the manner of the preparing the report based on opinions gathered through the conducted public discussions;
4. Rulebook on the conditions for protection against environmental noise caused by road, railway, air and water traffic;
5. Rulebook on the conditions to be met by the plants, equipment, installations and devices used outdoors with regard to environmental noise emission;
6. Rulebook on the conditions to be met by household devices, means and appliances with regard to environmental noise and places of residence, and
7. Rulebook on the technical measures and conditions to be met by buildings with regard to insulation from environmental noise caused by neighbourhood.

In this period, activities are expected to start with regard to the drafting strategic noise maps.

### **Forestry:**

In this period, work will be carried out for drafting bylaws based on the Law on Reproductive Material from Forest Tree Species, as well as drafting and adoption of two new laws, namely: Law on Forests and Law on Hunting. The transformation of the Public Enterprise "Macedonian Forests" is planned as well.

### **INSTITUTIONAL FRAMEWORK**

In this period, the key activity is to strengthen the Ministry of Environment and Physical Planning through additional employments of specialised staff, as well as implementation of training in legislation enforcement. In this context, the following activities are of particular importance:

1. Strengthening of the Directorate for Environment, through new employments, aimed at implementation of the competences pursuant to the laws, especially in the areas of issuing permits and administrative procedures, nature, environmental monitoring and laboratory analysis;
2. Strengthening of the State Environment Inspectorate through employment of environmental inspectors and inspectors in nature protection, and implementation of specific trainings for the inspectors, especially in the domain of supervision over the issued integrated environmental permits,
3. Strengthening of the Sectors of the Ministry in relation to planning and implementation of EU pre-accession assistance, and
4. Strengthening of the local self-government units through new employments and training in environmental management at local level.

The new Law on Chemicals will make clear distinction of the competences in chemicals management between the state administrative bodies and other institutions. In this context, it is necessary to carry out their capacity assessment and strengthening in the segment of the chemicals management for which they are responsible, including the reporting to the competent body at EU level.

In the area of water, activities will be undertaken towards capacity strengthening of the body to be responsible for waters management.

In the area of protection and rescue, the following activities will be carried out: institutional strengthening for the purpose of establishing integrated system for protection and rescue to meet the needs for full implementation of the measures for protection and rescue provided for in the legislation; transformation of the civil protection forces and equipment and modernisation of the system for protection and rescue; planning, organisation and participation in the collective systems for protection and rescue, at global and regional levels, and delegation of part of the competences from higher to lower organisational units and to the local self-government.

### **INSTITUTION BUILDING REQUIREMENTS**

Budget Number	Institution	Current status	2006	2007	2008	2009	2010	Total
05003	Protection and Rescue Directorate		256	35	35	35	35	35
05003 Total			0	0	0	0	0	0

12101	Ministry of Environment and Physical Planning	110	0	47	46	35	22	150
12101 Total			0	47	46	35	22	150
14001	Authority for river basins management		0	15	15	0	0	30
14001 Total			0	15	15	0	0	30
Total		0		62	61	35	22	180

## FOREIGN ASSISTANCE

### SHORT-TERM BY 2007

#### Current projects:

**CARDS 2003 "Improvement of transboundary water resources management"** is a project within which general methods, guidelines and studies are developed for the purpose of enhancing the management of transboundary water resources.

**CARDS 2004 "Environmental management strengthening"** is a project and the activities carried out under it are of legislative and institutional nature. The legislative component consists of bylaws drafting, while the institutional component focuses on the development and strengthening of the capacity of the MEPP and other stakeholders in the process of environmental management, especially in the domains of establishment of the Integrated Pollution Prevention and Control (IPPC) system, the environmental impact assessment (EIA) procedure, as well as in the segments of strengthening of processes concerning: decentralisation, ambient air quality monitoring, laboratory research, environmental information system and environmental policy creation, economic analysis and projects preparation.

**CARDS 2005, Project for Drafting a National Strategy for Approximation in the Environment**, under which the development of the implementation plans concerning specific Directives (19 Directives) is underway, in each of the sectors within the Chapter on Environment, except forestry and sectoral strategies for approximation.

In the framework of the Project for development of **Local Environmental Action Plans (LEAPs)**, financially supported by SIDA, the draft-methodology for LEAPs development has been elaborated; in addition to this, the implementation of priorities defined in the formerly developed LEAPs for six municipalities is underway.

In the framework of the implementation of the obligations towards NATO - PARTNERSHIP FOR PEACE, the Project **"Development of Environmental Impact Assessment Study for the Army Training Centre Krivolak"** is implemented. The Study will analyze the current and the future activities and their impact on the environment in the area of the Training Polygon "Krivolak", in order to define preventive and management measures and standards for its sustainable use and management.

In cooperation with the United Nations Development Programme (UNDP), **the development of the Feasibility Study on Lojane Mine** has been supported, and it will define the possible solutions for the problems identified in this environmental hot-spot.

**The reconstruction of the Information Centre in the National Park Pelister** is financially supported by Switzerland and this undertaking will contribute to the promotion of the values of the National Park and to the strengthened cooperation and communication between the Park Administration and the public.

Two projects are implemented in cooperation with the Directorate General for the Environment. The first one concerns the administrative capacity in the area of environment and its purpose is to assess the national administrative capacities, especially in the segments of conditions monitoring, inspection and law enforcement. The second project deals with the monitoring of the process of legislation approximation and the activities within its frames include filling in the Tables of Concordance for 69 EU Directives and Regulations and equal number of implementation tables - implementation questionnaires.

### MEDIUM-TERM 2008-2010

#### Current projects:

**Air Quality Improvement - Twining CARDS 2005** - this project supports activities related to the approximation of the legislation in the area of air quality; improvement of the database of the inventories of emissions in the air; improvement of the grounds for a comprehensive automatic ambient air quality monitoring system in accordance with the Air Quality Directive 96/62/EC and its daughter directives, as well as improvement of the National automatic ambient air quality monitoring system and involvement of the relevant institutions in this activity.

**Institutional support - implementation of the fifth stage of the project on ozone layer protection** - coordination of activities at national level, concerning the preparation and the implementation of projects in sectors related to ozone depleting substances; control over the consumption, import and export and public awareness activities.

**Plan for elimination of CFCs in the Republic of Macedonia** - provides for timely, sustainable and accelerated elimination of CFCs through promotion of the legislation, training and procurement of equipment for collection and recycling of CFCs freons.

**Development of the Second National Communication on Climate Change (GEF/UNDP)** -the main goal of the Project is the development of the Second National Communication on Climate Change as an obligation under the UN Framework Convention on Climate Change. At the same time, an inventory of green-house gases (GHG) will be developed, analysis of vulnerability will be conducted and adaptation measures will be envisaged in relation to climate change, strategy for GHG emissions reduction and action plan for climate change mitigation.

**The Water Programme is financially supported by Switzerland and it consists of** several components. Component A: Rehabilitation of pumping stations in Ohrid. Component B: -Optimisation of drinking water supply from the filtering station; - Substitution of active coal; -Construction of additional reservoir; -Rehabilitation of water supply network; -Construction of new collector from Berovo to the new wastewater treatment plant; - Implementation of the first phase of the wastewater treatment plant for Berovo and surrounding villages. Component C: Development of Study for the Bregalnica River Basin (sub-basin of Vardar River) Management; - Financing of certain projects (from 4 to 8) aimed at development of the underdeveloped areas in the Bregalnica region.

**Rivers monitoring in the Republic of Macedonia - II phase** is financially supported by Switzerland. Under this project, reconstruction, completion and upgrading of the surface waters monitoring system are carried out for the purpose of continuous monitoring of qualitative and quantitative data on the condition of the water in the rivers.

The Project in whose framework the **National Strategy for Sustainable Development** will be drafted is supported by Sweden, and apart from the drafting of the Strategy, activities are planned for public awareness in terms of improved understanding of the concept of sustainable development, networks building between the public and the private sector and promotion of domestic and foreign commercial investments.

The Project for **Integrated Ecosystem Management in the Prespa Lakes Basin (GEF/UNDP)** is intended towards full protection of the basin area of Prespa Lakes, protection of natural resources in the basin area, construction of wastewater treatment plants; protection of the coastal area, development of eco-tourism, support of the Physical Plan, etc. The project is a bilateral assistance to both Macedonia and Albania.

The Project **Green Package for Education** is financially supported by Austria and is designed to contribute to the improvement of the condition of the environment in Macedonia through environmental awareness increase by means of education of students, teachers and parents.

**ESO-PCCM – Environmental Houses** is a scientific research project financed through the Directorate General for Research, involving partners from five countries. After the review of the EU recommendations on energy efficiency policy and related environmental policy including also the policy of climate change mitigation and thus contribution to sustainable development of the country, the task of the project is to propose recommendations for their integration in the national policies and national legislation.

**Joint Macedonian – Italian Office for Climate Change** is established in the frameworks of the project aimed at the implementation of the provisions of the Memorandum of Understanding related to the implementation of the Kyoto Protocol in the Republic of Macedonia. The support includes institutional, legal and technical assistance.

**German technical and expert support** for the preparation of a working programme and plan, technical and expert assistance in the management of the national automatic air quality monitoring system, participation in the calibration of the instruments in the Calibration Laboratory, as well as technical and expert support in the monitoring stations maintenance and service performance.

**Wastewater treatment plant in Gevgelia** – the project is aimed at building wastewater treatment plant on Vardar River, and it is financially supported in the frameworks of the Greek plan for reconstruction of the Balkans.

## **PLANNED PROJECTS**

In the frameworks of the **CARDS 2006**, the projects to be implemented refer to: development of medical waste management plan; development of feasibility studies on environmental hot-spots; development of technical documentation for wastewater treatment plant in Prilep.

In the frameworks of the second phase of the project for **LEAPs development in Macedonia**, it is planned to proceed with the activities for LEAPs development for the municipalities in the Republic of Macedonia.

Through the Global Environmental Fund (GEF), the implementation of the first project to include activities for **improvement of the management of the Black Drim River basin**, has been planned.

**Biosphere Reserve Prespa Park** is a project planned to include activities for full operationalisation of the work of the Administration of the National Parks, namely Galicica in the Republic of Macedonia, and Prespa in the Republic of Albania. The project is financially supported by the KfW Bank, Germany. The implementation of the project activities is planned for the period 2007 -2009. The project will be implemented by the Administration of the National Park, supported by national and international experts.

The Project **Development and Coordination of National Plan for the Strategic Approach for International Chemicals Management (SAICM) and its implementation in the Republic of Macedonia** will include development of the National Chemical Profile (legal and institutional framework for chemicals management on national level, preliminary inventories) and development of Action Plans for reduction and elimination of hazardous chemicals. The start of this project is planned in February-March 2007.

The following projects have been also planned; however, funding sources for this purpose have not been identified yet:

Development of **technical documentation for wastewater treatment systems**, including financial and economic analysis, environmental impact assessment, main project, etc is planned.

Development of **technical documentation for waste management systems**, for the purpose of construction of landfills in regions, in accordance with the National Waste Management Plan is planned.

Preparation of **Red Book and Red List of rare and endangered species of flora and fauna in the Republic of Macedonia** is also planned.

**Development of a Management Plan for the National Park Mavrovo** – the project will provide guidelines for management of the National Plan Mavrovo.

## 3.28 CONSUMER AND HEALTH PROTECTION

### CURRENT SITUATION

### LEGAL FRAMEWORK

#### CONSUMER PROTECTION

The area of consumer protection is regulated by the Law on Consumer Protection, adopted on 11 June 2004 (Official Gazette of the Republic of Macedonia No. 38/04). The Law is harmonised with the relevant EU legislation.

On the basis of the **Law on Consumer Protection** (Article 39), a Rulebook on the properties of children toys into circulation (Official Gazette of the Republic of Macedonia No. 90/04) was adopted, and is harmonised with Directive 31988L0378R(04) of 3 May 1988 on the approximation of the laws of the Member States on the safety of toys.

Pursuant to Article 123 of the Law on Consumer Protection, the Government of the Republic of Macedonia adopted a Decision on appointment of members of the Consumer Protection Council (Official Gazette of the Republic of Macedonia No. 11/05).

The Law on Consumer Protection is the basic law in the area of consumer protection, but due to its multidisciplinary nature, certain segments of this area are regulated with several other laws, such as:

Law on Tourism (Official Gazette of the Republic of Macedonia No. 62/04) is fully harmonised with Directive 31990L0314, pursuant to which eleven bylaws were adopted.

Law on Catering Industry (Official Gazette of the Republic of Macedonia No. 62/04), pursuant to which eight bylaws were adopted.

- **Law on Product Safety** (Official Gazette of the Republic of Macedonia No. 33/06), harmonised with Directive 32001L0095 on general product safety, whereas the bylaws arising from this Law are explained in details in Chapter 01-Free movement of goods;

Law on Mediation (Official Gazette of the RM No. 60/06) is harmonised with the EC Recommendation 31998H0257, EC Recommendation 32001H0310 and others. On the basis of Article 11 paragraph 1 item 4 of the Law on Mediation, a Rulebook on the programme for training of mediators and the form for completed training for mediator was adopted.

- **Law on Obligations** (Official Gazette of the Republic of Macedonia No. 18/01, 4/02 and 5/03).
- **Law on Sanitary and Health Inspection (Official Gazette of the Republic of Macedonia No.71/06)**, pursuant to which the Rulebook on the form, procedure for issuing and revoking of the official identification and the Rulebook on the costs of the inspection supervision in procedures initiated at the request of a party were adopted, and published in the Official Gazette of the Republic of Macedonia No. 01/07.

In a broader sense, consumer protection is also regulated with:

the Law on Food Safety and Products and Materials in Contact with Food (Official Gazette of the Republic of Macedonia No.54/02), as well as thirteen bylaws arising from the Law; the Law on Plant Health (Official Gazette of the Republic of Macedonia No. 29/05) and the Law on Veterinary Health – (Official Gazette of the Republic of Macedonia No. 28/98 – all in chapter 12; the Law on Environment (Official Gazette of the Republic of Macedonia No. 53/05 and 81/05 – chapter 27, the Law on Broadcasting Activity of 9 November 2005 – chapter 10; the Law on Medicinal Drugs, Supplementary Treatment Substances and Medical Devices (Official Gazette of the Republic of Macedonia No. 21/98) – Chapter 01.

#### PUBLIC HEALTH

The area of public health is regulated with the Law on Health Care (Official Gazette of the Republic of Macedonia No. 38/91, 46/93, 55/95, 10/04, 84/05, 111/05 and 65/06) and the Law on Health Insurance (Official Gazette of the Republic of Macedonia No. 25/00, 34/00, 96/00, 50/01, 11/02, 31/03, 84/05, 36/06).

Individual areas of public health are regulated with special legal regulations such as:

- **Tobacco – The area of protection of the health from the harmful effects of smoking** is regulated with: the Law on Health Care, Law on Protection from Smoking, Law on Production and Trade in Tobacco which is fully harmonised with Directive 32001L0037, as well as other bylaws.
- **Communicable diseases – The area of epidemiological surveillance and the control of communicable diseases** is regulated with the following regulations: the Law on Health Care, the Law on Protection of the Population from Communicable Diseases (Official Gazette of the Republic of Macedonia No. 66/04), the Law on Sanitary and Health Inspection (Official Gazette of the Republic of Macedonia No. 71/06), the Law on Health Records (Official Gazette of the Socialist Federal Republic of Yugoslavia No. 22/78, 18/88 and Official Gazette of the Republic of Macedonia No. 15/95) and several rulebooks and programmes.
- **Safety of blood, human tissues and cells** – the area of **safety of blood** is regulated with several laws, bylaws and rulebooks.
- **Addictions** – the bases of the area of **prevention of addiction** are laid down in the following legal regulations: Law on Health Care, Law on Health Insurance, Law on Health Records, the Rulebook on the detailed workspace conditions,

equipment and staff for establishing and functioning of healthcare organisations (Official Gazette of the Republic of Macedonia No.11/92, 25/96, 48/02, 30/05 and 62/06).

The Government of the Republic of Macedonia adopts an annual programme on health care protection of persons with addiction diseases in the Republic of Macedonia whereby funds from the budget of the Republic of Macedonia are used to finance the measures and activities included in the programme, which refer only to addicted persons that are not insured on any ground, to persons using health care over 30 days for these needs, and to persons serving a prison sentence that are addicts and that are in a position to use health services of this type.

*Non-communicable diseases* – the legal framework in the area of **non-communicable diseases** comprises: the Law on Health Care, Law on Health Insurance, and Law on Health Records.

The Law on Health Care stipulates exercise of the guaranteed rights and the determined needs and interests of the society through undertaking certain measures and activities (Programmes) for providing health care against certain diseases to specific population groups.

The Law on Mental Health (Official Gazette of the Republic Macedonia” No. 71/06) provides for the exercise of the rights of the people with mental health problems.

## **STRATEGIC DOCUMENTS**

### **CONSUMER PROTECTION**

Pursuant to Article 121 of the Law on Consumer Protection, the Government of the Republic of Macedonia on 27 December adopted the Programme for consumer protection for the period 2007-2008 (Official Gazette of the Republic of Macedonia No. 137/06). This Programme specifies: the consumer protection policy; the measures and activities for realisation of the consumer protection policy; counselling, education and informing the consumers and the funds required for the realisation of the Programme.

## **PUBLIC HEALTH**

The basic strategic directions in the area of public health are laid down in:

- the National strategy on tobacco control for ensuring and promoting the protection of the public health protection 2005-2010, adopted by the Government of the Republic of Macedonia in June 2005;
- the National plan of activities before and during an influenza pandemic with a special emphasis on bird flu pandemic, adopted by the Government of the Republic of Macedonia in October 2005;
- the National programme on suppression of drug abuse and of illicit trade in drugs (Official Gazette of the Republic of Macedonia No.35/96);
- the National strategy on HIV/AIDS for the period 2003-2006, which has six priority areas: prevention of HIV/AIDS expansion among the groups of interest; improvement of the access to counselling and testing services; improvement of the national systems for epidemiological and behavioural monitoring; improvement of the provision of care and support for people living with HIV/AIDS; prevention of HIV transmission in health care organisations; and strengthening of the capacity and coordination within the national response to HIV/AIDS.
- the National strategy for promotion of the mental health in the Republic of Macedonia for the period 2005- 2012, adopted by the Government of the Republic of Macedonia in November 2005, which provides for decentralisation of the hospitals as well as for re-socialisation and introduction of a mental health system in the community for the patients with mental health problems.

## **INSTITUTIONAL FRAMEWORK**

### **CONSUMER PROTECTION**

Consumer protection in the Republic of Macedonia is institutionalised with the work of several state administrative bodies and the public sector that have direct and/or indirect competencies in this field, determined by the Law on Consumer Protection and other laws, as follows:

- The Government of the Republic of Macedonia - consumer policy creation, adoption of a programme on consumer protection;
- Consumer Protection Council within the Government of the Republic of Macedonia (12 members) - proposes measures and activities, monitors the realisation of the Programme on consumer protection, conducts a market assessment, etc.;
- Consumer Protection Council at the level of the local self-government units – takes care of consumer protection at local level;
- Ministry of Economy – Unit for consumer protection – proposes Programme for consumer protection, undertakes measures and activities of the consumer policy and harmonises the legislation with the needs of the consumers;
- State Market Inspectorate within the Ministry of Economy – enforcement of the Law on Consumer Protection, evaluation of the quality of products and services, protection of the economic interests of the consumers;
- Ministry of Finance;
- Ministry of Justice;

- Competent courts – consumer disputes;
- NGO – Consumers Organisation of Macedonia – the Law on Consumer Protection provides a possibility for involvement of the non-governmental organisations in the consumer policy creation, information, education and counselling of the citizens - consumers.

## PUBLIC HEALTH

The key institutions in the area of public health are:

- Ministry of Health – adoption and implementation of the laws and bylaws, programmes etc.
- State Sanitary and Health Inspectorate – supervision over the implementation of the measures for prevention and elimination of communicable diseases; healthcare records; etc.
- Republic Institute for Health Protection - Skopje and 10 regional institutes for health protection; Republic Institute for Transfusiology – responsible for blood safety and for meeting the standards for quality and safety of the collection, testing, processing, storage and distribution of human blood.
- Psychiatric hospitals, general hospitals – neuropsychiatric wards; services for prevention and treatment of drug abuse; mental health centres; the Clinical centre – Skopje, etc.

## SHORT-TERM PRIORITIES

### LEGAL FRAMEWORK

#### CONSUMER PROTECTION

- Amendments to the Law on Consumer Protection aimed at improving i.e. further specifying certain articles of the Law towards better application of the law in practice.
- Realisation of the activities foreseen in the Programme on consumer protection for the period 2005-2006, and adoption of a Programme on consumer protection for 2007 – 2008.
- Harmonisation of the national with the EU legislation in the area of consumer protection while using financial services, and full harmonisation with the following EU measures: Directive 31987L0102 as amended by Directives 31990L0088 and 31998L0007 and by the Council Recommendation 32001H0193 on pre-contractual information to be given to consumers by lenders offering home loans.. According to this, Decision on Effective Interest Rates is adopted, and the Law on Consumers Credits will be adopted until the second quarter of 2007.
- Adoption of the **Law on State Market Inspection**, which will regulate the competence, authorisations and organisation of the State Market Inspectorate. With regard to consumer protection, the State Market Inspectorate enforces a number of other regulations in line with its competences defined in Chapter 01.
- Amendment to the Law on Tourism and to the Law on Catering Industry.
- Amendment to the Law on Mediation, with the view to harmonise the national with the EU legislation in the area of court mediation.

*Furthermore, consumer protection will be regulated by:*

- Bylaws arising from the Law on Products Safety (Chapter 01)
- Adoption of a Rulebook on the manner and procedure for carrying out inspection supervision, pursuant to the Law on Sanitary and Health Inspection (Official Gazette of the Republic of Macedonia No. 71/06)

## PUBLIC HEALTH

The Law on Patient Protection is undergoing a review procedure in the Government. This draft law is in line with many international documents i.e. conventions of the United Nations and of the Council of Europe, which refer to the protection of the rights of the human being and the patient, which the Republic of Macedonia has acceded to or ratified. It is expected to be adopted during 2007.

### *Communicable diseases*

Pursuant to the Law on Protection of the Population from Communicable Diseases (Official Gazette of the Republic of Macedonia No. 66/04), the following rulebooks are under preparation:

- Rulebook on the conditions and manner of performing disinfection, disinsection and diratisation, which will regulate the conditions with regard to the equipment, space and staff necessary for performing the activities;
- Rulebook on the conditions and the manner of conducting mandatory immunisation, seroprophylaxis and chemoprophylaxis against communicable diseases, as well as on persons obliged to be immunised, which will regulate the immunisation schedule, the persons subject to immunisation and the vaccines the immunisation will be carried out with.
- Guidelines on case definition of communicable diseases, fully incorporating the recommendations of the World Health Organisation, as well as the EU measures 32002D0253 and 32003D0534.

For 2007, it is planned to adopt the following bylaws:

- Rulebook on the conditions and manner of conveying deceased persons (funeral procession), and exhumation and conveying of deceased persons, which will regulate the procedure of exhumation and conveying of deceased persons;



- Rulebook on health checks of persons who recovered from intestinal typhus, dysentery bacilli or salmonella, which will regulate the procedure for monitoring the persons who recovered from the abovementioned illnesses;
- Rulebook on the manner of reporting communicable diseases, which will prescribe the method of reporting those diseases that are subject to reporting, will determine the obligations of the health workers, and will prescribe the disease reporting form. It is planned this Rulebook to incorporate the EU measures 32000D0096 and 32003D0542.
- Rulebook on protection measures against spreading of communicable diseases in healthcare organisations, which will regulate the organisation of the work in the healthcare organisations with view of preventing the spread of nosocomial infections.
- Rulebook on the health checks of persons placed under healthcare surveillance for the sake of prevention of communicable diseases, which will determine the types of health and hygiene checks of persons employed in facilities for production and trade in food, educational and healthcare organisations.

It is also planned to implement the preventive annual programmes arising from the Law on Health Care.

#### *Non-communicable diseases*

Adoption of the National Action Plan on primary, secondary and tertiary prevention of non-communicable disease – breast cancer. Implementation of the annual Programme on reimbursing the costs for patients treated with dialysis, for providing medicines for transplant patients, and for providing cytostatic drugs, insulin, growth hormone and treatment of haemophilic patients; annual Programme on early detection and prevention of the diseases of women's reproductive organs and Programme on health care of persons with psychological disorders.

#### *Safety of blood, human tissues and cells*

Adoption of a Law on Supply of Blood and Blood Products by the end of 2006, in which the EU measure 32002L0098 will be implemented, and basis for implementation of 32004L0033, 32005L0062 and 32005L0061 will be established. National policy on supply of quality and safe blood and rational use thereof.

#### *Addiction diseases*

Drafting of a National strategy on drugs, which provides for a multisectoral approach to the prevention of drug abuse and treatment of addicts.

Adoption of a National strategy on prevention of problems caused by alcohol abuse.

Drafting a National strategy on HIV/AIDS for the period 2007-2011.

Continuous implementation of the activities from the annual Programme on healthcare of persons with addiction diseases in the Republic of Macedonia.

## **b) INSTITUTIONAL FRAMEWORK**

### **CONSUMER PROTECTION**

There is a need for institutional strengthening of:

**ME** – Unit for Consumer Protection with 1 person with university degree in 2007;

**MF** – Sector for Financial System, Unit for Banking System with 1 person with university degree in 2007;

**SSHI** – In order to reduce the risks to the achievement of the results, there is a need for institutional strengthening of the State Sanitary and Health Inspectorate with at least one employee in the regional units to cover the cities where the SSHI is not represented and in view of the increased competences. According to the strategic work plan of the SSHI for the period 2007-2009, there is plan to employ a total of 15 inspectors and 7 graduated lawyers whose legal assistance is necessary when working on cases in the area of exercise of the rights of patients pursuant to the Law on Health Care and the Law on Health Insurance.

Further supply of technical equipment – computers for all inspectors, providing vehicles to those regional offices where they are missing, as well as training in: surveillance over the exercise of the rights of the patients; epidemiology; hygiene; legal procedures and implications; and work on computer.

**MJ** - Sector for supervision of the work of executing officers, notaries and mediators - Unit for supervision of the work of notaries and mediators will be established, with two employees with university degree.

### **PUBLIC HEALTH**

#### *Addiction diseases*

The institutional strengthening with regard to the addiction diseases is explained in detail in chapter 24.

#### *Non-communicable diseases*

It is foreseen to establish a new institution – Centre for Mental Health – in Skopje, which will emerge from the existing Psychiatric Hospital. The establishment of this Centre will help to achieve deinstitutionalisation and re-socialisation of the persons with mental health problems. The Centre for Mental Health will be established as a public health care institution that will provide care to patients by following the regional principle. The existing human resources will be used for the establishment of this Centre. There

is a need for additional training in work with persons with mental health problems, with emphasis on the inclusion in the local community.

It is foreseen to open three new institutions - Centres for Mental Health – in other regions in the Republic by following the regional principle, which will emerge from the remaining psychiatric hospitals in the Republic and from the psychiatric wards within the general hospitals. The establishment of these Centres will help to achieve deinstitutionalisation and re-socialisation of the persons with mental health problems. There is also a need to hire additional staff (psychologists and occupational therapists) to work in the centres.

In the Ministry of Health – Sector for secondary and hospital health protection – 2 new employments are foreseen.

Moreover, it is planned to strengthen the capacity of the Sector for primary and preventive health protection with one additional staff in the Unit for preventive health care.

### 3. MEDIUM-TERM PRIORITIES

#### a) LEGAL FRAMEWORK

##### CONSUMER PROTECTION

- Realisation of the activities provided for in the Programme on consumer protection for the period 2007-2008;
- Harmonisation with the Directive 32002L0065 concerning the distance marketing of consumer financial services will be done by means of adoption of a legal act on provision of financial services at a distance, **the provisions of which would enter into force upon accession to the EU or successively**, depending on the liberalisation of the capital transfers and financial services and the creation of technical conditions (primarily security systems) for realisation of this type of sale. This act is planned to be adopted by the end of 2008.
- Following the EU Recommendations and implementation of high standards for mediation in the Law on Mediation.
- Adoption of bylaws in accordance with the Law on Food Safety and Products and Materials in Contact with Food (Official Gazette of the Republic of Macedonia No.54/02).

##### PUBLIC HEALTH

- Adoption of the Law on Supply of Blood and Blood Products
- Rulebook on implementation of articles of the Law on transfusion activities;
- Standards for Blood Products;
- Rulebook on good practice in transfusion;
- Continuous implementation of the 9 annual preventive programmes;
- Continuous implementation of the annual Programmes on reimbursing the costs for patients treated with dialysis, for providing medicines for transplant patients, and for providing cytostatic drugs, insulin, growth hormone and treatment of haemophilic patients; on early detection and prevention of the diseases of women's reproductive organs and on health care of persons with psychological disorders; starting the implementation of the National Action Plan on primary, secondary and tertiary prevention of non-communicable disease – breast cancer, and of the National strategy for promotion of the mental health in the Republic of Macedonia for the period 2005-2012.
- Adoption of a new Law on Narcotics and Psychotropic Substances which will be fully harmonised with the UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, as well as with the EU measure 32000R1673.
- Implementation of the OECD manual on the National Health Account.

#### INSTITUTIONAL FRAMEWORK

##### CONSUMER PROTECTION

There is a need for institutional strengthening of:

**ME** – Unit for Consumer Protection, with one new employment in 2008, 2009 and 2010;

**MF** – Sector for Financial System, Unit for Banking System, with 1 person with university degree in 2009. It is necessary to strengthen the capacity of the existing institutions, especially of those that are responsible for implementation of the regulations (the National Bank of the Republic of Macedonia – Directorate for Supervision, Ministry of Finance – Foreign Currency Inspectorate).

**SSHI** – there is a need to link the SSHI electronically and establish a database for a single register of facilities that are subject to sanitary-hygienic and health surveillance, as well as for software for the needs of the State Sanitary and Health Inspectorate.

## PUBLIC HEALTH

### *Non-communicable diseases*

As part of the activities for implementation of the Strategy on Mental Health, it is foreseen to open 7 new institutions – Centres for Mental Health – that will emerge from the remaining psychiatric hospitals in the Republic and from the psychiatric wards within the general hospitals. For the purpose of institutional strengthening it is necessary to ensure new employments.

## INSTITUTION BUILDING REQUIREMENTS

BUDGETARY BENEFICIARY/ INSTITUTION	INSTITUTION/ SECTOR	Current status 31.12.2006	2007	2008	2009	2010	Total
10001: Ministry of Economy	ME: Council for Consumer Protection	12	0	0	0	0	0
	ME: Sector for Internal Market	1	1	1	1	1	4
10001: Ministry of Economy Total		13	1	1	1	1	4
19001: Ministry of Health	MH: Sector for Primary Health protection/ Unit for Preventive Protection	1	1	0	0	0	1
	MH: Sector for Secondary Health Protection	2	1	3	2	2	8
	SSHI: State Sanitary and Health Inspectorate	50	2	2	2	2	8
19001: Ministry of Health Total		53	4	5	4	4	17
HIF: Health Insurance Fund	CENTRES Mental health: Centres for Mental Health	0	3	3	2	2	10
HIF: Health Insurance Fund Total		0	3	3	2	2	10
<b>TOTAL</b>		<b>66</b>	<b>8</b>	<b>9</b>	<b>7</b>	<b>7</b>	<b>31</b>

## FOREIGN ASSISTANCE

### CONSUMER PROTECTION

#### a ) Short-term

From June 2005 until October 2008, the technical assistance project in the area of mediation “International Finance Corporation PEP – Southeast Europe” is being realised in the Ministry of Justice, financed by the IFC and the Dutch Government. The project aims at supporting and establishing a legal framework for mediation and its implementation: training of the future mediators, campaign for raising the public awareness about mediation, support for pilot projects and establishing centres for mediation in the Republic of Macedonia.

## PUBLIC HEALTH

### *Communicable diseases*

The project for rapid detection and reporting of communicable diseases (ALERT SYSTEM) started in 2004, financed by the World Health Organisation. It is carried out as a pilot project in 6 cities (Skopje, Tetovo, Gostivar, Kumanovo, Kriva Palanka and Kratovo), which are under the responsibility of 3 institutes for health protection – Skopje, Tetovo and Kumanovo (the software is installed, the health workers are trained to work with it, and as of the beginning of 2006 started the reporting communicable diseases according to the recommendations of the project).

The establishment of this system is closely related with the implementation of the EU measure 32000D0057.

Reporting according to the ALERT system continues in the pilot cities, whereas the technical and financial assistance for extension of the project activities throughout the country was requested from the World Health Organisation (WHO).

Through the Global Fund to fight AIDS, Tuberculosis and Malaria, funds for implementation of a 5-year programme on prevention of tuberculosis in the amount of 3 071 097 US\$ have been provided, i.e. 1 442 489 US\$ for the first two years of the Programme. Agreement on continuation of one more year of the Programme on HIV/AIDS supported by a Global Fund grant was signed, with funds amounting to 1 555 768 US\$.

### *Safety of blood, human tissues and cells*

In June 2005, the Republic of Macedonia and the Republic of France signed an Agreement on French financial assistance for the Macedonian transfusiology. This is a 3-year agreement aiming at improving the quality of the blood products and greater security in transfusiology, which would be achieved through:

- Drafting a Law on Supply of Blood and Blood Products;
- Defining standards for blood products and Rulebooks on good practice in transfusiology;
- Establishing a system of traceability in the procedures involving blood – hemovigilance;
- Assistance in the realisation, in optimal conditions, of autologous and allogenic transplants of hematopoietic stem cells;
- Project management (general board, occasional evaluation...).

It is also foreseen to start the procurement of technical equipment and required consumables in the amount of over 150 thousand euros.

## **MEDIUM-TERM**

### **Communicable diseases**

The establishment of the system for rapid detection and reporting of communicable diseases means equipping of all health care organisations with ICT equipment, training of the staff, networking of the health care organisations with the regional institutes for health protection and with the Republic Institute for Health Protection, as well as with the Ministry of Health, maintenance of the equipment etc., which is not possible to do without foreign assistance.

### ***Safety of blood, human tissues and cells***

The Agreement on French financial assistance for the Macedonian transfusiology foresees starting the establishment of the traceability system in the second and third year since the start of the project.

In this period, depending on the degree of the implementation of the project, the procurement of technical equipment and of the required consumables, as well as the training of the staff in work with them will continue.

## 3.29 CUSTOMS UNION

### CURRENT SITUATION

#### LEGAL FRAMEWORK

The Republic of Macedonia in 2005 established a customs system similar to the customs system of the European Union. With the adoption of the **Customs Law** and the **Implementing Regulation of the Customs Law**, which started applying as of 1 January 2006, a high degree of compliance of our legislation with the legislation of the European Union was achieved.

This resulted in further adjustment of the procedures regulating customs procedures, especially in the part of the procedures having economic impact and the simplified procedures. Provisions regulating the free warehouses and free economic zones identical with the provisions of the European legislation were introduced, previously regulated in a different manner.

In the course of 2005 a Rulebook on the manner of filling in the customs declaration and the List of Codes applicable for entry into the customs procedures were adopted. The Rulebook provided harmonisation with the EU Regulation 32003R2286, as well as with many international standards and recommendations (ISO 3166 2A on the country codes and UN/ECE on the entry of the units of measurement, the means of transport and the type of packages).

In December 2005 two regulations for implementation of the Customs Law were adopted: Decree on the closer criteria and the manner of implementation of exemption from paying import duties, as well as values, quantities and type or purpose of goods that may be exempted from paying import duties, and the Decree on detailed conditions to be fulfilled for goods to be subject to autonomous measures for reduction or suspension of import duties, the procedure for introduction of autonomous measures, as well as their allocation and utilisation. These two Decrees have created a legal framework for full implementation of the new Customs Law.

The new Customs Law and the Implementing Regulation of the Customs Law are largely harmonised with the Council Regulation (EEC) 31992R2913 of 1992 establishing the Community Customs Code, as well as the Regulation (EEC) 31993R2454 establishing the Customs Code.

During 2005 and 2006 amendments were made to the Rulebook on the type and amount of customs fees for rendering services during customs procedure. These changes, as of 1 July 2006, abolish the fee in the amount of EUR 100 for each submitted request for allocation of tariff quotas, and as of 1 October, 2006, abolish the fee in the amount of EUR 19 for customs services according to the Stabilisation and Association Agreement.

In 2003, the Republic of Macedonia adopted a new **Law on Customs Tariff**, with instruments and measures that are compatible with the rules of the European Union and which laid the legal grounds for harmonisation of the customs nomenclature of the Republic of Macedonia with the European Union Combined Nomenclature. In accordance with the provisions of the Law on Customs Tariff, the Government of the Republic of Macedonia, by end-November of the current year at the latest, harmonises the Customs Tariff for the next year 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. Also, the Government of the Republic of Macedonia makes amendments to the national customs nomenclature so as to harmonise it with the Combined Nomenclature of the European Union. This created conditions for easier transposition of the Common Customs Tariff and all relevant instruments for its implementation.

The **Customs Tariff** of the Republic of Macedonia, which is based fully on the European Union Combined Nomenclature prescribes the customs tariffs and contains the bound tariff rates of the WTO, expressed in percentage as *ad valorem* or as specific customs duties expressed in fixed amounts per unit of measurement. The Customs Nomenclature also serves as a base for customs or external trade statistics.

The Customs Tariff of the Republic of Macedonia is fully harmonised with the Harmonised System Convention (2007) of the World Customs Organisation. At the same time, the Customs Tariff is fully harmonised with the European Union Combined Nomenclature (published in OJ L 301 of 31 October 2006).

To the end of uniformed application of the Customs Tariff with regard to the classification of goods, a procedure is underway for implementation and publishing of the European Union regulations on classification of certain goods.

The Decision on the manner and procedure of allocation of goods within the tariff quotas in accordance with the Free Trade Agreements, adopted by the Government of the Republic of Macedonia in 2002, envisages two methods of distribution of the tariff quotas, the first one according to the principle "first come, first served", while the second provides the allocation of tariff quotas according to the method of auction and is used only for the most sensitive agricultural products.

The new **Law on Customs Administration** started applying since 2004. The rules for the internal organisation of the Customs Administration of the Republic of Macedonia were adopted and entered into force in 2004. The Law on Customs Administration and the provisions for its implementation set the basis for efficient actions and performing of the tasks that have to be implemented in the area of customs. This Law gives the customs officers for the first time authorisations for full implementation of

all customs procedures in accordance with the European Union standards, as well as in the criminal procedure regarding customs frauds. The Code of Ethics of Customs Employees was adopted in 2002. The Rulebook on the type of documents and data marked as official, business and other secret, the manner of their keeping and protection, as well as the Decree on carrying and use of weapons by customs officers were also adopted in 2005.

In the area of protection of the intellectual property rights – fight against piracy and counterfeited goods – in May 2005 the **Law on Customs Measures for Protection of the Intellectual Property Rights** was adopted. The Law on Customs Measures for Protection of the Intellectual Property Rights resulted in full harmonisation of our legislation with the legislation of the European Union and the TRIPS Agreement. The adoption of this Law is a novelty regarding the existing customs regulations and introduces a new quality in the work of the customs authorities. The Council Regulation (EEC) 32003R1383 was used as a model in the drafting.

The Convention on Temporary Admission – Istanbul Convention was ratified by the Republic of Macedonia in March 2006.

The Republic of Macedonia is a member of the World Customs Organisation, World Trade Organisation, as well as a contracting party in a number of bilateral and multilateral agreements covering the operations of customs authorities. Despite this, there are still certain differences between the *acquis* and the Macedonian legislation.

## **INSTITUTIONAL FRAMEWORK**

The institution responsible for implementing the customs legislation is the Customs Administration of the Republic of Macedonia, as a body within the Ministry of Finance. The Customs Administration is responsible for the control of goods across the borderline of the legal border crossings and for many other duties resulting from the new laws and regulations. Following the independence of the Republic of Macedonia, a large number of new customs offices were formed in the internal part and at the borders, especially the one in the part with Serbia and Kosovo.

In May 1997, the European Commission prepared the document *Customs Blueprints*, which states the basic recommendations to be fulfilled by the countries in the pre-accession strategy, where the European Union states the basic recommendations for improvement and increasing of the efficiency of the Customs Administrations of the countries aspiring for membership in the European Union. *Blueprints* clearly states that membership in the European Union cannot be expected without an adequate Customs Administration and it also states the basic objectives that need to be implemented by the customs administrations in order to build an operative efficiency of the customs services. In order to achieve complete fulfilment of the recommendations stated in these documents, the Customs Administration prepared a gap analysis in order to determine the future activities in this direction. The review of harmonisation of the Macedonian customs legislation with the *acquis communautaire*, showed a high degree of legislative harmonisation.

It is of particular importance to refer to the Protocol 4 concerning the definition of the concept of “Originating Products” and methods of administrative cooperation and Protocol 5 on mutual administrative assistance in customs matters, which are integral part of the Stabilisation and Association Agreement. Protocol 4 defines the concept of “originating products” in the trade between the Republic of Macedonia and the European Union, based on the Community Customs Code, while Protocol 5 sets the conditions for mutual cooperation in customs matters.

In 2004 the Government of the Republic of Macedonia adopted the National Strategy for European Integration of the Republic of Macedonia, the National Programme for Approximation to the Acquis, as well as the Action Plan for European Partnership. The Strategy for Development of the Customs Administration of the Republic of Macedonia (2004-2008) for a period of five years defines the expectations of the Ministries, the economy and public expectations regarding the management, the working standards and the achievements. The Strategy clearly determines the position of the Customs Administration of the Republic of Macedonia at the end of this period with reference to the standards of the services aimed to the economy and the public, the working achievements, infrastructure and the equipment (including the information technology) as well as the human resources management. The further approximation of the legislation, as well as the reorganisation of the Customs Administration will be based on the principles of these documents.

In 2006 the Customs Administration prepared new Guidelines on preferential agreements covering and defining all activities of visit/control of exporting companies, activities regarding the verification of the proof of origin set by the Customs Administration.

During 2006, the new systematisation included establishment of a Unit for Non-tariff Measures, which, in addition to other competences, was a central unit in the Customs Administration for coordination of activities pursuant to the Law on Customs Measures for protection of intellectual property rights. One coordinator and one deputy coordinator for intellectual property, as experts in this area, were appointed in each customs office.

The Customs Administration has adopted the Strategy for development of information system, using uniform methodology, setting all priorities for further development of the ICT department, so as to modernise the Customs Administration and integrate it with the EU customs systems.

The priorities in strengthening of the ICT capacities were globally defined via the **ICT Strategy** adopted by the Customs Administration. Strategic commitments are based, above all, on the key documents with regard to the European integration

processes (**interconnection and interoperability with the EU systems**) and fulfilment of the ICT standards resulting from the European Legislation (with regard to the IT support to various customs procedures).

**Urgent** activities were launched with regard to the selection, procurement and implementation of customs software and setting up **new ICT system** in the Customs Administration of the Republic of Macedonia. Logically, it sets priorities and norms focused, above all towards EU systems and standards. This means:

- 1 **(National setup)** High-quality software solutions that support the bases of the nation-wide customs operations by fully accepting the EU legislation and EU standards in the ICT operations as well as compatible e-government solution.
- 2 **(Setup according to the EU systems)** Such setup national configuration and system should be fully and directly focused on EU systems.

The need was determined, as well as the steps and modes of launching an administrative procedure for connecting with the EU systems, above all CCN/CSI and NCTS.

The Customs Administration adopted a Risk Management Strategy, prepared annual risk management action plans on the basis thereof, so as to improve efficiency and effectiveness in customs operations. It adopted new Guidelines for selective review in the customs operations so as to systemically identify the risks and undertake measures against them on one hand, and accelerate and facilitate the flow of goods and passengers on the other. The selectivity module (within the ASICUDA system) was implemented in all internal customs terminals, where on the basis of the priorities adopted by the Customs Administration and the information obtained, risk profiles and criteria were designed, through which the electronic system makes automated selection of goods and customs officers for control. New base of seized goods was set, from which the risk profiles are taken and submitted on local level.

Training programme was adopted according to the EU policies and standards, as well as Programme on Language Training of the employees in the Customs Administration according to the EU standards.

## SHORT TERM PRIORITIES

During 2007, the activities of the Customs Administration of the Republic of Macedonia will be concentrated on further harmonisation of the legislation and strengthening of the customs infrastructure. Additional amendments to the Rulebook on the type and amount of the customs fees for rendered services during customs procedure will be made in order to harmonise them fully with the provisions of the Stabilisation and Association Agreement, as well as with the *acquis communautaire*. This part envisages abolishment of the fees for mandatory tariff information and for approval for TIR carnet.

After the analysis of other fees charged in the course of the customs administration pursuant to the Law on Administrative Fees, this Law is planned to be amended and modified. These amendments and modifications envisage review of the existing fees, which should result in abolishment, i.e. reduction of administrative fees for issuance of approvals for customs warehouse, for procedures having economic impact, for simplified procedures, for transfer of rights, for usual forms of handling.

In the pre-accession period, the Customs Administration will be restructured in a manner so that it could implement the *acquis communautaire* in the area of the Customs Union. The modernisation of the Macedonian customs system is aimed at reaching the following goals:

- reaching full harmonisation of the customs legislation;
- reaching full organisational and operational efficiency of the customs service.

The novelties envisaged by the Customs Law will ensure building a customs system that would provide timely and efficient collection of customs and other duties and prevention of the entry of illegal goods, which would contribute to facilitation of international trade and sustainable economic development. Creating conditions for efficient implementation of regulations, building appropriate control mechanisms and simultaneous development of simplified procedures and facilitations in the implementation of customs procedures is possible only if there is a clear and standardised definition of the rights and obligations of all participants in the customs procedure, which was achieved with this Law that enables defining the responsibilities in the operations of all participants in the customs procedure.

Until April 1 at the latest, analysis will be made of the penalty provisions under the Customs Law, Law on Customs Administration and the Law on Customs Measures for Protection of the Intellectual Property Rights in the case of possible need to harmonise the sanctions for an offence with the new sanctions under the new Law on Misdemeanours.

The Law on Customs Measures for Protection of the Intellectual Property Rights does not define the customs offences, for which the customs officers would launch an offence procedure. The EU Regulation 1383/2003 leaves a possibility for each country to define offences on national level. Accordingly, amendments to the Law on Customs Measures for Protection of the Intellectual Property Rights will be made in the penalty provisions – customs offences, as well as their harmonisation with the Law on Misdemeanours in the part of penalty provisions, should the analysis verify the need to do so.

Legal basis will be set up for the regulations adopted by the Council of the EU on classification of certain goods in order to make them mandatory in the customs procedure.

In 2007 the Law Amending the Customs Law will be adopted, as well as amendments to the Implementing Regulation of the Customs Law in the area of operations of the authorised economic operators. The amendments are a result from the EU Customs Code with the Regulation 648/2005, as well as from the amendments to the Regulation on implementation of the Customs Law referring to Regulation 648/2005, adopted on 18 December 2006. They are connected with issues of safety, acquiring information before the arrival and strengthening of the application of electronic declaration. Due to the comprehensive needs and the necessary infrastructure, especially with regard to the IT equipment, the implementation of these provisions will probably be at a later date.

To the end of achieving operational efficiency of the customs service, sophisticated equipment for scanning trucks and containers will be purchased.

Hiring of an internationally acknowledged and experienced consultant company is also envisaged, so as to develop and improve the institutional capacity of the Customs Administration, as well as to professionally manage the customs procedure.

In the future, the process of selecting risk profiles is expected to be automated, by introducing a system for centralised electronic administration of all operational activities in the Customs Administration for the purposes of risk analysis, statistics and intelligence, which is in the phase of establishment.

The biggest business entities were identified, showing high level of compliance with the legal regulations so as to inform them and point out the possibility to use simplified customs procedures.

On the basis of new guidelines on transit procedure, prepared with the assistance of the experts from CAFAO MAK mission, activities will be undertaken in the course of 2007 so as to further harmonise the implementation of the transit provisions with the *acquis*. Also, in the course of 2007, the Republic of Macedonia is planned to apply for membership in the Common Transit Convention.

In early 2007, training in transit procedure will be organised. These training will especially emphasise the novelties in the area of simplifications in transit and use of special loading lists and occurrence and collection of customs debt. The trainings will be aimed at the customs officers working on the border crossings and internal customs terminals (approximately 300 customs officers). Training will also be organised for transporters and forwarding agents (around 200 persons are expected to show interest).

To the end of promoting the procedure of allocation of customs quotas, and upon the recommendation by the European Partnership, the Ministry of Economy by end-2007, should adopt a decision on the manner and the procedure for classification of goods within customs quotas.

In early 2007, the Action Plan of the Customs Administration envisages presentations and training of the business community for better understanding and implementation of the Protocol on Rules of Origin.

The Convention on Facilitating and Harmonizing Customs Procedures - the Revised Kyoto Convention, is expected to be ratified by the end of 2007.

A commitment by the Customs Administration, via continuous adjustment of the Strategy for ICT, is the acceptance of priorities with regard to the new European systems (AES, AIS), as well as provision of legal and technical preconditions regarding the security of the ICT system, support to paperless solutions, implementation of the electronic data exchange, setting up a risk management system, defined, above all, in the Regulation 32005R0648.

The Action Plan of the Customs Administration of the Republic of Macedonia envisages activities with regard to the selection, procurement and implementation of customs software and setting up a **new ICT system** in the Customs Administration of the Republic of Macedonia (**above all, preparation of the national domain**), which could last 1 to 3 years.

After the administrative launching of the procedure (requirement) for interconnection with the EU systems, IT preparations could be made with regard to the monitoring missions of the EU Commission, as well as selection of the most adequate modes of interface towards EU systems (the next 1 to 2 years, lasting at least 2 years). Continuous adjustment will be made of the Strategy for ICT, as well as preparation of Strategy for interconnection and interoperability with the European ICT systems.

## MEDIUM TERM PRIORITIES

The membership of the Republic of Macedonia in the European Union involves the obligation to adopt and incorporate the customs legislation of the Community, to undertake tasks for protection and control of the external borders of the European Union, to eliminate the internal borders with the European Union, to implement an efficient ICT system, aligned to the European Union standards, as well as to increase the Customs Administration efficiency.

The areas of the customs legislation that will remain non-harmonised after the first review will be finally harmonised following the second review of the customs legislation, which means that the Republic of Macedonia will start their implementation as part of the *acquis* on the day of joining the European Union. These areas refer especially to the following: rules for the origin of goods – adoption of the rules for non-preferential origin of goods and the rules implemented by the European Union related to occupied territories and the rules for implementation of GSP; special rules and documents implemented regarding the customs goods



transported among member states; special rules for exchange of different types of information on the implementation of customs regulations between member states, or between the member states and the Commission; special rules that are part of the implementation of the Common Agricultural Policy.

During this period, introduction of a computer software for receipt, update and overview of the TARIC database is planned, which will contain all information on all measures that need to be undertaken by the customs service at the time of importation of certain goods from certain countries.

With regard to the customs laboratory regarding the control of certain substances depleting the ozone layer, the environment, the toxins, drugs and other psychotropic substances, as well as with regard to the quality of goods during import and export, establishment of modern, equipped laboratory is envisaged, which would operate by standardised methods in accordance with the rules of good laboratory practice and the ISO 9001 standards. A study thereon is planned to be prepared in the first quarter of 2007.

The Customs Administration will implement a large number of analyses of the provisions of the European legislation which is directly applicable on the member states in the area of customs, but which leaves a possibility for the member states to decide on individual cases which are relevant for implementation and supervision of the system.

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 competencies 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.

The reorganisation of the customs service will enable: adoption of comparable legislation regarding the organisation and competencies of the customs authorities; provision of high degree of cooperation among the customs, taxes and other state services; establishment of efficient customs control, especially in the part of smuggling and collection of public taxes; highly-qualified and motivated employees with high degree of responsibility and regulated status, salaries, training and promotion opportunities, support of an information system compatible with the structure of the Community Information System.

Establishment of full interconnection with the EU systems (CCN/CSI and NCTS) and continuation of the procedures for interconnection with other EU systems.

The reorganisation and ability of the customs service for efficient and correct collection of the direct revenues of the European Union, as well as the protection and control over the external borders of the European Union are essential goals that need to be achieved by the Customs Administration in meeting their obligations resulting from the membership in the European Union.

The Customs Administration of the Republic of Macedonia participates in several activities for operational technical assistance in the area of training for the employees, as well as in the area of improvement of the technical equipment of the Administration. The technical assistance was provided through the mission of the European Union (CAFAO-MAK), but also through the bilateral twinning with the Customs Administration of the Kingdom of Netherlands, for the period 2005-2008.

The Customs Administration of the Republic of Macedonia should be strengthened technically and in terms of human resources, so that in the moment of accession in the European Union to be able to perform the new tasks of administrative cooperation and exchange of data.

The largest part of the budget funds will be used for computerisation of the Customs Administration. The rest of the funds will be used for further harmonisation of the customs system with the European Union Customs Code, as well as for strengthening the administrative capacity of the Customs Administration through new employments and improvement of the infrastructure.

## INSTITUTION BUILDING REQUIREMENTS

BUDGETARY BENEFICIARY/ INSTITUTION	INSTITUTION/ SECTOR	Current status 31.12.2006	2007	2008	2009	2010	Total
09001: Ministry of Finance	MF: Sector for Tax and Customs System	3	0	0	0	0	0
09001: Ministry of Finance Total		3	0	0	0	0	0
09003: Customs Administration	CUSTOMS: Customs Administration	862	10	10	0	0	20
09003: Customs Administration Total		862	10	10	0	0	20
<b>TOTAL</b>		<b>865</b>	<b>10</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>20</b>

**EU Funds:**

<b>Year</b>	<b>Amount in euros</b>
2006	
2007	1,500.000
2008	
2009	
2010	
<b>TOTAL</b>	<b>1.500.000</b>

The Republic of Macedonia already uses certain forms of technical assistance as part of the European Union technical assistance programme CARDS (CAFAO-MAK). This assistance is being realised through the CAFAO MAK Project in the Republic of Macedonia, which amounts to EUR 1 million for the fiscal year 2006.

The CAFAO MAK Mission is a team of customs experts from the member states of the European Union that provide technical support to the Customs Administration in its modernisation and establishment of completely operational customs activities in accordance with the European standards. The team, which comprises international experts, is called Customs and Fiscal Assistance Office for Macedonia (CAFAO-MAK) and apart from delivering equipment and specialised training, this Office also works together with its Macedonian colleagues on site, in order to transfer skills and knowledge by delivering training techniques in the course of the carrying out of the activities. CAFAO-MAK is focused on customs legislation, human resources management, training and implementation of the Customs Law.

Additionally, certain bilateral assistance is used as part of the Twinning project with the Customs Administration of the Kingdom of Netherlands for the period 2005 to 2008. The project amounts to approximately EUR 500,000 and the funds will be used according to the agreed programme activities.

## 3.30 EXTERNAL RELATIONS

### 3.30.1 COMMON COMMERCIAL POLICY AND BILATERAL AGREEMENTS WITH THIRD COUNTRIES

#### CURRENT SITUATION

The Republic of Macedonia has been member of the World Trade Organisation since 4 April 2003 and it has therefore undertaken the obligations deriving from WTO Agreements. The Republic of Macedonia has not commenced negotiations for accession to WTO Agreement on Public Procurement. In November 2005, the Republic of Macedonia ratified the Agreement on Trade in Civil Aircraft. The Ministerial Declaration on Trade in Information Technology Products is implemented in the Schedule of Concessions and Commitments on Goods of the Republic of Macedonia in the World Trade Organisation.

With regard to trade defence instruments, the Republic of Macedonia has incorporated provisions regarding countervailing measures and safeguard measures in the Law on Trade (Official Gazette of the Republic of Macedonia No. 16/04, 128/06) and pursuant to this Law, the following secondary legislation has been adopted: Decision on the Procedures and Manner of Establishing Safeguard Measures for Increased Imports and a Decision on the Procedure and Manner of Introducing Countervailing Duty (Official Gazette of the Republic of Macedonia No. 28/05). These acts have been notified to the World Trade Organisation, the Safeguards Committee, and the Subsidies and Countervailing Measures Committee.

The Republic of Macedonia has established legal regulation regarding control of export of dual-use goods adopting the Law on Control of Export of Dual-Use Goods and Technology (Official Gazette of the Republic of Macedonia No. 82/05). All secondary legislation in relation to the Law has been adopted and its implementation began in January 2006.

The Republic of Macedonia has concluded Free Trade Agreements with 40 countries, in particular the Stabilisation and Association Agreement including the EU Member States (25), 4 with EFTA member countries, 3 with CEFTA member countries, and 8 bilateral Free Trade Agreements with the following countries: Serbia, Montenegro, Turkey, Ukraine, Bosnia and Herzegovina, Albania, Moldova and UNMIK for the territory of Kosovo.

Following the accession of Bulgaria and Romania in the European Union, the CEFTA agreement with these two countries shall cease to apply and the Stabilisation and Association Agreement with the European Union shall start to apply. Pursuant to Article 35 paragraph 3 of the Stabilisation and Association Agreement between the Republic of Macedonia and the European Communities and their Member States, on 27 November 2006, negotiations on the Enlargement Protocol to the Stabilisation and Association Agreement started as a result of the EU accession of Bulgaria and Romania.

Under auspices of the European Commission and the Stability Pact, the Republic of Macedonia completed its negotiations and initialled the text of the Agreement on Amending and Accession to the Central European Free Trade Agreement – CEFTA 2006. CEFTA 2006 was signed on 19 December 2006 in Bucharest by the Prime Ministers of the South Eastern European countries. It is expected that implementation of CEFTA 2006 will begin in the second half of 2007 following the ratification process by all signatory countries.

The Republic of Macedonia has also concluded agreements on trade and economic cooperation with other countries which should be aligned with the obligations arising from EU membership.

*The Republic of Macedonia has concluded 26 bilateral agreements on promotion and reciprocal protection of investments with third countries which are in force, 12 of which were concluded with Member States of the European Union. Likewise, the Republic of Macedonia has ratified 4 bilateral agreements (one of which with an EU Member State) which have not entered into force yet and 6 agreements initialled by expert teams, but still not signed. In the course of 2006, the Republic of Macedonia also initialled two Protocols on amending the Agreement on Promotion and Reciprocal Protection of Investments with the Republic of Bulgaria and the Republic of Romania aimed at alignment with obligations concerning EU membership of these two countries.*

*Currently, there is no secondary legislation to govern the matter with regard to insurance of export from any risks on short term or long term. However, the Macedonian Bank for Development Promotion (MBDP), within its operation, applies the General Provisions of the Bern Union – International Union of Credit and Investment Insurers and the Knaepen Package. MBDP is state-owned and its major mission is support to the small and medium size enterprises sector and to export-oriented production. MBDP is also in charge of insurance and reinsurance of commercial and non-commercial risks as well as administration and management of foreign and domestic credit lines.*

#### INSTITUTIONAL FRAMEWORK

The Ministry of Economy is in charge of drafting and implementation of the majority of legal acts in the field of common trade policy. Currently, the Ministry of Economy has a total of 17 employees in the Sector for WTO and Foreign Trade Regime and in the Sector for International Trade Cooperation.

The Sector for Financial System and the Sector for International Finance within the Ministry of Finance are in charge of a part of the legal acts in this field as well as the Customs Administration of the Republic of Macedonia.

The part concerning the development cooperation and humanitarian aid is in the competence of the Ministry of Foreign Affairs.

### SHORT-TERM PRIORITIES

In the following period, strengthening the capacities of the said institutions has been anticipated with regard to new recruitments and training for the employees.

The ratification process of the Agreement for Amending and Accession to the Central European Agreement of Free Trade – CEFTA 2006 is envisaged for the first part of the year 2007 followed by its implementation.

In 2007, the Law on Trade shall be amended by adding provisions on antidumping measures. On the basis of the Law, Decision on the procedure and the manner for establishing antidumping duties will be adopted, in accordance with WTO regulations and the Regulation 31996R0384 of the Council thus encompassing the legal framework of trade policy instruments.

### MEDIUM-TERM PRIORITIES

Pending the accession of the Republic of Macedonia in the European Union, national legislation shall be aligned with Directives 31984L0568 and 31998L0029, Decisions 32001D0076 and 32001D0077 which refer to the common principles and criteria of EU Member States in the field of export insurance. MBDP, in a medium-term period intends to develop finance and insurance instruments of medium-term and long-term export projects in cooperation with foreign insurance agencies.

### INSTITUTIONAL BUILDING REQUIREMENTS

Institutions in charge of the implementation of the acquis have already been established. It is envisaged to strengthen their capacity through increasing the number of employees and their technical equipping.

BUDGETARY BENEFICIARY/ INSTITUTION	INSTITUTION/ SECTOR	Current status 31.12.2006	2007	2008	2009	2010	Total
08001: Ministry of Foreign Affairs	MFA: Sector for Multilateral Economic Relations/ Unit for WTO, other multilateral organisations and development of humanitarian aid	0	0	1	1	0	2
08001: Ministry of Foreign Affairs Total		0	0	1	1	0	2
10001: Ministry of Economy	ME: Sector for International Trade Cooperation	7	0	1	1	0	2
	ME: Sector for WTO, and External trade Regime	10	0	0	0	0	0
10001: Ministry of Economy Total		17	0	1	1	0	2
<b>TOTAL</b>		<b>17</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>4</b>

### FOREIGN ASSISTANCE

GTZ Project (2006-2008) 'Technical support to the Process of Approximation of the legislation of the Republic of Macedonia with the European Legislation' is in its course of realisation, wherein the Ministry of Economy is the beneficiary.

## 3.30.2 DEVELOPMENT POLICY AND HUMANITARIAN AID

### CURRENT SITUATION

In this phase, the Republic of Macedonia has exquisitely limited possibilities and capacities to play considerable role in granting development support to third countries.

The Republic of Macedonia is neither in disposal of experience nor sufficient funds for development cooperation. At present, in the Republic of Macedonia there is no legal framework for "external" development policy, instruments for such policy have not been defined and no organisational unit exists for realisation of such policy. Until now, the Republic of Macedonia has not granted development, technical or financial aid.

During the past few years, the Republic of Macedonia has allocated humanitarian material aid at several occasions, within its capacities, with the purpose of avoiding humanitarian catastrophes or helping overhaul the consequences of natural or other disasters such as in Bosnia and Herzegovina, for the refugees from Kosovo as well as in Korea, Vietnam, Mongolia, Pakistan and South Eastern Asia (for the tsunami-stricken provinces).

The standard procedure in the Republic of Macedonia when coordinating humanitarian aid is to set up an ad hoc coordinative body, usually within the Ministry of Foreign Affairs, with representatives from multiple institutions in the country involved in the allocation of the aid.

It is envisaged that a person is designated within the Ministry of Foreign Affairs who will be coordinator of such future activities, among its other duties.

### **MEDIUM-TERM PRIORITIES**

With the approximation and integration process for membership in the European Union as well as achieving an advanced level of economic development, the Republic of Macedonia will have the opportunity to successfully participate in the EU development policy and contribute to the European Development Fund (EDF). In order to accomplish this objective, the following will be necessary:

- Drafting analysis of regulations and resources necessary for implementation of the system for development cooperation and humanitarian aid;
- Approximation with EU legislation as well as with the international obligations in this field; and
- Providing funds necessary for participation in the EU development and humanitarian policy.

To that end, it is necessary to set up Unit for Development Cooperation and Humanitarian Aid within the Ministry of Foreign Affairs, with the necessary staffing and technical equipment.

## 3.31 FOREIGN, SECURITY AND DEFENCE POLICY

### 3.31.1 COMMON FOREIGN AND SECURITY POLICY AND EUROPEAN SECURITY AND DEFENCE POLICY

#### CURRENT SITUATION

##### LEGAL FRAMEWORK

The legal framework in the area of the Common Foreign and Security Policy is composed of the Constitution of the Republic of Macedonia, the Law on Organisation and Operation of the State Administrative Bodies, the Law on Defence, the Law on Protection and Rescue, the Law on Crisis Management, the Law on Classified Information, and etc. The Law on Foreign Affairs is an integral part of the legal framework and applies since 1 January 2007. In accordance with the Law, several by-laws have been adopted, as follows: Rulebook on internal organisation of MFA, Rulebook on systematisation of working posts in MFA, Rulebook on determining diplomatic titles of employees in MFA, Rulebook on taking diplomatic exam for civil servants within the Ministry of Foreign Affairs.

##### INSTITUTIONAL FRAMEWORK

The Ministry of Foreign Affairs, the Ministry of Defence, the Ministry of Interior, the Ministry of Justice, the Ministry of Economy, the Ministry of Finance (Customs Administration and Directorate for Prevention of Money Laundering), the Legislative Secretariat, Directorate for Protection of Classified Information (DPCI), the Crisis Management Centre and the Directorate for Protection and Rescue are responsible institutions for implementation of the activities related to CFSP/ESDP.

During 2006 the administrative capacity was strengthened. In that regard, the Unit for CFSP (within the Sector for EU), the Unit for Control of Armament (within the Sector for Multilateral Relations) and the Unit for EU Legislation (within the Sector for International Law) have been set up within the Ministry of Foreign Affairs. Acting Political Director and Acting European Correspondent have been designated. The Ministry of Foreign Affairs and the Directorate for Protection of Classified Information are continually upgrading their IT capacities. Ongoing are the activities for enhancement of the safety level of VPN (virtual private network) communication with DCMs of the Republic of Macedonia. Within the Ministry of Foreign Affairs, the Ministry of Defence, the Ministry of Interior and the Intelligence Agency, DPCI registers for foreign classified information have been established. In the course of 2006, staffing of the Directorate for Protection of Classified Information was carried out by transfer of persons from other administrative bodies, thus the present number of employees is 33. The Crisis Management Centre, being partly operative, commenced with operation from July 2006.

#### 1.1. Political Dialogue

The Republic of Macedonia maintains regular **political dialogue with EU** on bilateral basis (Stabilisation and Association Council, Stabilisation and Association Committee and Common Parliamentary Committee) as well as on multilateral basis, together with the other five SAP countries, within the Political Forum EU-Western Balkans. Since December 2003, the Republic of Macedonia has adhered to EU Common Position, Declaration and Demarches on regular basis, whether they are based upon EU invitation or on a unilateral basis. They are regularly published in the *Official Gazette of the Republic of Macedonia*.

#### 1.2. Cooperation with International organisations

The Republic of Macedonia is a member of the **UN, the OSCE, the Council of Europe and other international organisations** and actively participates in the **regional initiatives**.

#### 1.3. Control of armament (non-proliferation of weapons of mass destruction; export of conventional weapons, small arms and light weapons; dual-use goods and technologies)

The Republic of Macedonia, in different forums has reaffirmed its readiness to cooperate with EU on these issues, either on bilateral basis, or within international organisations and upon the invitation of the EU, has regularly adhered to CFSP documents related to this area.

The Republic of Macedonia has unilaterally accepted the principles and criteria upon the Code of Conduct on Arms Exports, and has also adhered to the Common Position 2003/468/CFSP on the Control of Arms Brokering, to the EU Programme on Preventing and Combating Illicit Trafficking on Conventional Arms and to the Joint Action 2002/589/CFSP on EU's Contribution to Combating and Destabilising Accumulation and Spread of Small arms and Light Weapons. In June 2006, the Republic of Macedonia drafted the first National Report on Arms Export which was submitted to the European Union. The EU Common Military List has been entirely incorporated in the Decision on distribution of goods on export and import forms (Official Gazette of the Republic of Macedonia No. 138/06), where the goods for which the competent ministries issue export and import licenses are distributed.

The Republic of Macedonia and the European Union adopted Common Declaration on Non-Proliferation of the Weapons of Mass Destruction (II RM-EU Cooperation Council, Brussels, 18 July 2005). On 17 January 2006, the Convention on Nuclear Safety was ratified, and IAEA has been officially notified that the Radiation Safety Directorate commenced its operation. In January 2006, the Republic of Macedonia submitted to the Committee set up by UN Security Council Resolution 1540 on Non-Proliferation of Weapons of Mass Destruction, a Report on the activities related to this matter. On 31 May 2006, the Assembly of the Republic of Macedonia adopted the Law on Prohibition of Development, Production, Storing and Use of Chemical Weapons with regard to implementation of the UN Convention. In accordance with Article 5 of the Law, the Government has set up a Commission for implementation of the Convention. In November 2006, Protocol IV (Protocol on Blinding Laser Weapons) and Protocol V (Protocol on Explosive Remnants of War) of the Convention on Prohibition or Restrictions on the Use of Certain Conventional Weapons which may be deemed to be excessively injurious or to have indiscriminate effects regardless the UN aims were ratified.

The control of export of dual-use goods and technologies in the Republic of Macedonia is regulated by the Law on Control of Dual-Use Goods and Technologies of 2005 and the bylaws<sup>47</sup> which are in accordance with the Council Regulation (EC) 3200R1334 and the additional amendments introduced with the Regulations 32003R0149 and 32004R1504. Commission for Export of Dual-Use Goods and Technologies has been set up, which meets monthly discussing on issues emerging from the implementation of the Law, and the same submits an annual report on its work to the Government of the Republic of Macedonia.

In the view of control of small arms and light weapons, the Government of the Republic of Macedonia adopted National Strategy for Control of Small Arms and Light Weapons and established National Commission competent for its implementation. The Republic of Macedonia actively participates in the anticipated activities within the UN, the OSCE and the Stability Pact. Within the frame of this year's session of the UN General Assembly, the Republic of Macedonia has supported the Arms Trade Treaty Resolution in the First Committee, according to which the UN Secretary General will set up a group of governmental experts for the purpose of determining feasibility, scope and parameters of the anticipated instrument.

As a member of the Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on Their Destruction, the Republic of Macedonia completed the procedure on destruction of all 4000 anti-personnel mines retained for training and research; thus fulfilling its obligations arising from Articles 3 and 4 referred to in the Convention. On 15 September 2006, the Republic of Macedonia was declared a mine-free zone. The Minister for Foreign Affairs has signed Declaration on completing the demining process, according to Article 5 referred to in the Convention, for which the 7th session of the member countries of the Convention has been notified. As a result, the Republic of Macedonia became the first mine-free country in the region.

#### **1.4. Fight against terrorism**

The Republic of Macedonia takes active part in the global activities with regard to the fight against terrorism within the United Nations, the Council of Europe, EU, NATO, OSCE and other relevant organisations. The Republic of Macedonia is a contracting party to the majority of international instruments concerning this matter. The UN Conventions for the Suppression of Acts of Nuclear Terrorism (signed in 2005) and on Nuclear Security were ratified in 2006. Pursuant to the UN Security Council Resolution 1373, the Republic of Macedonia in 2006 continued its active cooperation with the Counter-Terrorism Committee of the UN Security Council and its Executive Directorate (CTED), whose delegation visited our country in March 2006. On the basis of the findings and recommendations contained in the Directorate's Report concerning the visit, the Republic of Macedonia submitted a new Report to the UN Counter-Terrorism Committee in December 2006. The Republic of Macedonia supported the UN Global Counter-Terrorism Strategy (adopted on 8 September 2006) and commits for implementation of the Action and Measures Plan included in the Strategy. Furthermore, the Republic of Macedonia commits for overcoming the remaining differences and adoption of the text of the Comprehensive Convention against Terrorism within the UN General Assembly Sixth Committee. With its experts, the Republic of Macedonia takes active part in the meetings of CE Counter-Terrorism Committee. In the area of regional cooperation, in October 2006, the Republic of Macedonia signed the Pact on the Fight against Terrorism and Organised Crime together with other six countries from the region (Serbia, Croatia, Bosnia and Herzegovina, Montenegro, Romania and Albania). (See also Chapter 24- Justice, Freedom and Security).

#### **1.5. ESDP – Participation in EU operations for crisis management**

From July 2006, the Republic of Macedonia commenced its contribution to the EU military operation in Bosnia and Herzegovina – Althea with helicopter detachment comprised of two helicopters Mi - 8/17 and a staff of 17 persons. In November 2006, the Republic of Macedonia reinforced its contribution to Althea declaring additional staff for helicopter detachment in Mostar as well as declaring medical team as a support in the camp in Butmir. Consequently, the real contribution of the Republic of Macedonia to Althea comprises two helicopters Mi - 8/17 and a total staff of 30 persons. Due to the importance of the helicopter capacity in

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<sup>47</sup> Decision on establishing a List of dual-use goods and technologies, Decision on establishing a List of states, organisations, entities or individuals that are subject to certain limitations in export of dual-use goods and technologies, Rulebook on the form and contents of the application form for issuing export license for dual-use goods and technologies, Rulebook on the form and contents of the form-import license for dual-use goods and technologies and Rulebook on the form and contents of the 'End-User Certificate' for import of dual-use goods and technologies.

Althea highlighted by the Union, the Republic of Macedonia has continued its mission of helicopter detachment following its initial foreseen completion (15 January 2007) for a period of six months.

Upon EU invitation and following the candidate status, the Republic of Macedonia regularly participates at the EU Troika meetings in defence, at the Informal meetings of the Ministers of Defence or in GAERC format as well as in the meetings of the European Union Military Committee. In May 2006, the Republic of Macedonia declared its contribution to strengthening EU military capacities in accordance with the Headline Goal 2010. The declared contribution includes plans concerning present and future contribution of the Army of the Republic of Macedonia to the EU military operations for Crisis Management.

The Republic of Macedonia in October 2006 fulfilled the obligation on declaring its contribution to strengthening the EU civilian capabilities in accordance with the Civilian Headline Goal 2008. A total of 51 persons have been declared in five areas: the police 15, the rule of law 16, the public administration 8, the civil protection 8 and monitoring 4.

### **3.31.2 INSTRUMENTS FOR IMPLEMENTATION OF CFSP (IMPLEMENTATION OF SANCTIONS AND RESTRICTIVE MEASURES)**

#### **LEGAL FRAMEWORK**

The Republic of Macedonia applies restrictive measures and sanctions under the UN Security Council Resolutions and under the accepted EU Common Positions. The implementation of sanctions and restrictive measures is realised by the competent ministries and institutions on the basis of a Decision of the Government of the Republic of Macedonia. In order to establish clear legal framework pursuant to EU standards, the Government of the Republic of Macedonia, at the end of December 2006 adopted the draft Law on Implementation of International Restrictive Measures, which is expected to be adopted by the Assembly of the Republic of Macedonia in the first half of 2007.

#### **INSTITUTIONAL FRAMEWORK**

The restrictive measures and sanctions are implemented on the basis of a Decision adopted by the Government of the Republic of Macedonia, entrusting the competent authorities to undertake appropriate measures for enforcing the decision. Decisions are published in the Official Gazette of the Republic of Macedonia. In the meantime, by the time of adopting the decision by the Government, the execution of the internationally accepted obligations as regards the implementation of the sanctions is carried out on the basis of operative communication to the competent ministers by the Ministry of Foreign Affairs.

#### **SHORT-TERM PRIORITIES**

##### **1. Common Foreign and Security Policy and European Security and Defence Policy**

The Republic of Macedonia shall continue to give its contribution to the promotion of the bilateral political dialogue with EU and to actively participate in the multilateral political dialogue with EU, within the framework of the Political Forum EU – West Balkans. It shall continue with the alignment/acceptance of EU legal acts in the area of CFSP. The Republic of Macedonia shall continue with its active engagement in the international organisations (UN, OSCE, the Council of Europe 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, pollution of the environment as well as dealing with economic and social problems and disrespect of human rights.

#### **LEGAL FRAMEWORK**

In order to upgrade the protection at work with classified information, amending of the Law on Classified Information and related regulations is anticipated for year 2007. The amendments will enable the Directorate for Protection of Classified Information to supervise the work with the classified informations within the responsible authorities.

The application of the Law on Weapons, adopted in 2005 (Official Gazette of the Republic of Macedonia No. 7/2005) has been postponed for the beginning of 2007. The application has been postponed due to adjustment of the Law with the contents of the unilaterally accepted EU Code of Conduct on Arms Export and the EU Common Position on the Control of Arms Brokering. In the previous text of the Law in the part of categorisation of weapons, the types of weapons provided for in the Directive 91/477/EEC of the Council of Europe were fully incorporated; however, they were not categorised in line with the same classification. As a result, it was likely that certain problems arise, in particular, when weapons, for which a document for carrying has been issued in accordance with the categorisation of the weapons listed in the directive concerned, is transferred. For this reason, the amendments allow appropriate categorisation of the types of weapons. The draft-Law on amending the Law on Weapons by the Government of the Republic of Macedonia is planned to be adopted in the beginning of 2007.

With regard to the participation of the Republic of Macedonia in international civilian crisis management missions (ICMM), it was estimated that it is necessary to regulate several practical issues regarding this participation, i.e. adoption of decision on participation in ICCM, manner and selection procedure, selection and posting the personnel in ICCM, the status of the personnel,



and etc. For that reason, the Ministry of Foreign Affairs in cooperation with the competent institutions shall make efforts to attain most appropriate solution for legal regulation of these issues. During 2007 the adoption of the remaining bylaws deriving from the Law on crisis management is foreseen.

By the end of 2007, the ratification of the remaining international instruments for fight against terrorism is foreseen:

- Convention for the Suppression of Unlawful Acts against the Safety of Maritime Navigation;
- Protocol for the Suppression of Unlawful Acts against Safety of Fixed Platforms Located on the Continental Shelf;
- CE Convention on the Prevention of Terrorism;

In order to encompass the legal basis concerning inspection accrued rights by IAEA, the ratification of the Additional Protocol to the Agreement between the Republic of Macedonia and the IAEA for the Application of Safeguards in Connection with the Treaty on the Non-proliferation of Nuclear Weapons (NPT) and the SMALL Quantity Protocol (revised) to the Agreement between the Republic of Macedonia and the International Atomic Energy Agency for the application of safeguards in Connection with the Treaty on the Non- proliferation of Nuclear Weapons is planned for the first quarter of 2007. The ratification of the UN Protocol against illegal production and trafficking of small arms and ammunitions is foreseen to be completed by the end of June 2007.

## **INSTITUTIONAL FRAMEWORK**

With the aim of successful cooperation with the EU structures in the area of CFSP, it is foreseen to strengthen the required functions and mechanisms within the Ministry of Foreign Affairs, in particular:

- Further staffing and technical equipping of the Unit for Common Foreign and Security Policy with 2 officers in 2007;
- Further staffing and technical equipping of the Unit for Control of the Armament with 1 officer in 2007;
- Further staffing and technical equipping of the Unit for EU Legislation with 1 graduated lawyer in 2007.

In April 2007 procurement and installation of Certified Computer Unit for Access to the EU network for Electronic Exchange of Classified CFSP Information (ACN) is foreseen. The Inspection Mission of the Council of EU (May 2006) estimated that the Ministry of Foreign Affairs meets the conditions concerning installation of ACN system (network for information exchange with the Candidate Countries). Installation of ACN network for electronic exchange of EU classified information with the Republic of Macedonia is foreseen for the first quarter of 2007.

In the course of 2007, strengthening of the DPCI security system through procurement of ICT equipment, security equipment (EU video surveillance, communications equipment, base stations, and etc.) as well as training sessions for the staff in DPCI concerning operation with classified information has been planned.

In accordance with its political commitment for participation and contribution to the European Security and Defence Policy of the Union, the Republic of Macedonia is continuously upgrading its civilian and military capacities. Entire reforms in the security and defence system pursuant to the National Conception for Security and Defence and the Strategic Defence Review will be completed by the end of 2007. Furthermore, the efforts concerning inclusion of the Republic of Macedonia in all forms of ESDP training have been intensified. In the course of 2007, participation of representatives from the competent institutions in the three-year Programme for ESDP training has been foreseen. The Republic of Macedonia will be host country for the Module 2 of this training that will be held at the end of February 2007.

In order to strengthen the cooperation in the area of ESDP, it is planned to strengthen the MD administrative capacity, by establishing a Unit for ESDP. This will not give rise to financial implications due to its realisation through the principle of internal reorganisation.

It is also provided for the Mission of the Republic of Macedonia in the European Communities in Brussels to be strengthened in terms of staff and technical equipment as follows:

- 10 new persons in the Mission in the year 2007 - 2 diplomats, 4 sectoral experts, 1 ambassador assistant and 3 administrative-technical persons.
- Establishment of a Register for Foreign Classified Information within the Directorate for Protection of Classified Information in 2007 and designation of 3 persons of the Mission's permanent structure to work for DPCI.

Furthermore, in 2007 further staffing of the Permanent Mission of the Republic of Macedonia to the United Nations in New York is planned by posting a Deputy Permanent Representative and one Counsellor.

Further staffing of the diplomatic-consular offices of Republic of Macedonia abroad as well as training of ambassadors and other diplomats in the area of CFSP and other sectoral EU policies is planned in 2007.

## **2. Instruments for implementation of CFSP (implementation of sanctions and restrictive measures)**

The adoption of the Law on implementation of international restrictive measures and the strengthening of administrative capacities for implementation of restrictive measures and sanctions in accordance with EU standards is a short-term priority.

## **LEGAL FRAMEWORK**

Adoption of the Law on implementation of International Restrictive Measures in 2007. The purpose of the Law is to define the scope of restrictive measures and sanctions, to regulate the procedure for their implementation, to establish the competent institutions for implementation of the restrictive measures, data records and information exchange among relevant institutions, submitting reports to the EU, UN etc. The draft Law includes the suggestions given by TAIEX experts and the European Commission.

## **INSTITUTIONAL FRAMEWORK**

1. In order to adjust the administrative capacities for implementation of restrictive measures and sanctions in accordance with EU standards, the draft Law on Implementation of Restrictive Measures determines the competent ministry for implementation of each of the three general types of restrictive measures, as follows:

- The Ministry of Economy concerning restrictive measures for goods embargo and economic relations;
- The Ministry of Interior, the Ministry of Defence and the Ministry of Foreign Affairs concerning restrictive measures for arms embargo;
- The Ministry of Interior and the Ministry of Foreign Affairs concerning restrictive measures for entry ban;
- The Ministry of Finance concerning financial measures and financial relations;
- The Ministry of Transport and Communications concerning rail, air and postal communications;
- The Ministry of Foreign Affairs concerning partial or total interruption of diplomatic relations.

For that purpose, analysis and evaluation of the need for further staffing and technical strengthening of the competent ministries has been commenced.

2. The Ministry of Foreign Affairs, within the framework of its competences, shall monitor the implementation of the Law on International Restrictive Measures. One officer in the Unit for CFSP shall be in charge of this matter.

## **MEDIUM-TERM PRIORITIES**

### **1. Common Foreign and Security Policy and European Security and Defence Policy**

The Republic of Macedonia shall continue with its persistent and active participation in the political dialogue with EU on a bilateral and multilateral level. Prior to accession of the Republic of Macedonia in EU, full compliance with the "EU Guiding Principles concerning the Agreements between a State Party of the Rome Statute of the International Criminal Court and USA Regarding the Conditions to Surrender of Persons to the Court" of 30 September 2002 is foreseen.

## **LEGAL FRAMEWORK**

The priority activities shall be determined by the development of the EU legal acts in the area of CFSP/ESDP.

In the area of fight against terrorism the CE Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism will be ratified in 2008.

## **INSTITUTIONAL FRAMEWORK**

1. The need for establishment of new institutional capacities will be assessed pursuant to the development of the EU legal acts in the area of CFSP/ESDP.

2. By the end of 2010, the necessary strengthening of the Ministry of Foreign Affairs in terms of staff and technical equipment will be completed as follows:

- Further staffing and technical equipping of the Unit for Common Foreign and Security Policy with 1 officer in the year 2008, 1 officer in 2009 and 1 officer in 2010,
- Further staffing and technical equipping of the Unit for Control of the Armament with 1 officer in 2008 and 1 officer in 2009.

3. By the end of 2010, the necessary strengthening of the Mission of the Republic of Macedonia in the European Communities in Brussels in terms of staff and technical equipping will be completed as follows:

- 9 new persons in the Mission in year 2008 – 1 diplomat, 6 sectoral experts and 2 administrative-technical persons.
- 4 new persons in the Mission in 2009 - 2 diplomats and 2 sectoral experts.
- 4 new persons in the Mission in 2010 - 2 diplomats and 2 sectoral experts.
- Further equipping and improvement of the installed computer unit ACN for exchange of foreign classified information with EU and upgrading of the exchange of classified information to the level higher than 'internal' in 2010.

4. The staffing of the Directorate for Protection of Classified Information and the Center for crisis management will be completed by the end of 2010.

### **2. Instruments for implementation of CFSP (implementation of sanctions and restrictive measures)**

Medium-term priority is strengthening the administrative capacities of the competent ministries for implementation of the Law on Implementation of Restrictive Measures and for participation of the Republic of Macedonia in international civilian crisis management missions.

BUDGETARY BENEFICIARY/ INSTITUTION	INSTITUTION/ SECTOR	Current status 31.12.2006	2007	2008	2009	2010	Total
05002: Security of Classified Information Directorate	DSCI: Directorate for Protection of Classified Information	33	0	0	0	1	1
05002: Security of Classified Information Directorate Total		33	0	0	0	1	1
05004: Crisis Management Center	MFA: Sector For NATO and International Coordination	0	0	0	0	0	0
	CMC: Crisis Management Center	237	0	0	0	0	0
	CMC: Sector for administrative support (Units for support, Unit for public relation)	0	0	0	0	0	0
	CMC: Sector for coordination of operations (Unit for inspection services; Unit for emergency situations, cryptography; Unit for ICT and support of the public emergency alert system; unit for operative coordination;	0	0	2	4	4	10
	CMC: Sector for common and legal affairs (Unit for finance, Unit for common affairs, unit for production)	0	0	0	0	0	0
	CMC: Sector for strategic planning and policy analysis (Unit for policy assesment, Unit for research, Unit for strategic planning and poly)	0	0	0	1	4	5
05004: Crisis Management Center Total		237	0	2	5	8	15
08001: Ministry of Foreign Affairs	MFA: Permanent Mission in UN-New York	3	2	0	0	0	2
	NEW: Sector for International Law/ Unit for EU Law	0	1	1	0	0	2
	MFA: EU Sector/ Unit for CFSP	2	2	2	2	2	8
	MFA: Sector for multilateral affairs/ Unit for control of armament	1	1	1	1	1	4
08001: Ministry of Foreign Affairs Total		6	6	4	3	3	16
<b>TOTAL</b>		<b>276</b>	<b>6</b>	<b>6</b>	<b>8</b>	<b>12</b>	<b>32</b>

## **3.32 FINANCIAL CONTROL**

### **CURRENT SITUATION**

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, which leads to consistent combination of the managerial responsibility and functionally independent internal audit. Therefore, activities are underway in the Ministry of Finance for implementation of a coherent legislation, to be implemented in the entire sector 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.

Moreover, there are ongoing activities aimed at improving the operational and financial independence of the State Audit Office, as well as providing legal and functional framework for appropriate monitoring of the findings in its reports.

### **3.32.1 PUBLIC INTERNAL FINANCIAL CONTROL (PIFC)**

#### **FINANCIAL MANAGEMENT AND CONTROL**

##### **CURRENT SITUATION**

##### **LEGAL FRAMEWORK**

The legal framework setting the conditions and manner of implementation of the financial management and control in the Republic of Macedonia is regulated by the following legal acts:

- Law on Budgets (Official Gazette of the Republic of Macedonia, No. 64/05);
- Law on Execution of the Budget for a Certain Year;
- Law on Organisation and Operation of State Administrative Bodies (Official Gazette of the Republic of Macedonia, Nos. 58/2000 and 44/02);
- Law on Civil Servants (Official Gazette of the Republic of Macedonia, Nos. 59/2000, 112/2000, 34/01, 103/01, 43/02, 98/02, 17/03, 40/03, 85/03, 17/04, 69/04 and 81/05);
- Law on Accountancy of the Budgets and Budget Beneficiaries (Official Gazette of the Republic of Macedonia, Nos. 61/02, 98/02 and 81/05);
- Rulebook on accountancy of budgets and budget beneficiaries (Official Gazette of the Republic of Macedonia, No. 28/03);
- Rulebook on organisation and operations of the Ministry of Finance No. 01-8440/1 dated 09.04.2004 to No. 01-8440/6-2004 dated 10.10.2006;
- Guidelines on the manner of treasury operations (Official Gazette of Republic of Macedonia, No. 85/06);
- Guidelines on the manner of executing orders on decisions for forced payment that indebit the treasury account, i.e. the account of the debtor within the treasury account (Official Gazette of the Republic of Macedonia, No. 55/03).

The Project – Technical Assistance to the Ministry of Finance for Development of the Internal Audit in the Public Sector includes preparation of a Strategy for development of the public internal financial control (PIFC) in the Republic of Macedonia, and it was adopted in February 2006. The Strategy is a document which constitutes a basis for implementation of the medium-term priorities related to the public sector internal control.

##### **INSTITUTIONAL FRAMEWORK**

Unit for Harmonisation of the Financial Management and Control is established within the Sector for Public Internal Financial Control.

##### **SHORT TERM PRIORITIES**

##### **LEGAL FRAMEWORK**

By the end of 2007, the following by-laws to the Law on Public Internal Financial Control will be adopted, referring to the financial management and control:

- Rulebook on the standards for internal control and the basic elements of financial management and control in the public sector; and
- Technical guidelines on the manner of establishing and conducting financial management and control.

##### **INSTITUTIONS**

##### **STRENGTHENING THE INSTITUTIONAL CAPACITIES IN THE MINISTRY OF FINANCE**

In 2007, the Unit for Harmonisation of Financial Management and Control will be staffed with 3 employees. The Unit will be responsible for development and promotion of the internal control and methodologies on the basis of internationally accepted standards and best practices as well as for coordination of the implementation of the new regulation on managerial accountability (financial management and control). The Unit for Harmonisation of Financial Management and Control, being the central unit for harmonisation, will mandatorily submit an annual report to the Government of the Republic of Macedonia on the functioning of the financial management and control.

## **STRENGTHENING OF THE INSTITUTIONAL CAPACITIES FOR FINANCIAL MANAGEMENT AND CONTROL IN PUBLIC SECTOR ENTITIES**

The implementation of the internal control regulations with regard to the financial management and control will be made in accordance with the Strategy for development of the public internal financial control (PIFC) in the Republic of Macedonia, and through the realisation of the EU-funded Twinning Project for development of the public internal financial control. The project envisages implementation of training, along with foreign experts, in financial management and control for 120 civil servants (state secretaries, financial managers, heads of sectors, chief accountants etc.).

### **FOREIGN ASSISTANCE**

The implementation of the Twinning Project for development of the public internal financial control under CARDS 2006 will begin in 2007 and it will be realised by the end of 2008. The project plans to strengthen the capacities for implementation of the financial management and control system on central level. The financial envelope for implementation of the project is EUR 1.0 million.

### **MEDIUM-TERM PRIORITIES (2008-2010)**

#### **STRENGTHENING THE INSTITUTIONAL CAPACITIES IN THE MINISTRY OF FINANCE**

Taking into account the greater competences and tasks of the Unit for Harmonisation of Financial Management and Control, the number of employees in this Unit will be increased by 2 executing officers in 2008.

For the purpose of strengthening the administrative capacities of the Unit for Harmonisation of Financial Management and Control, training of the employees will be carried out in order improving their reporting skills (preparation of annual report on the functioning of the financial management and control) and in capacity building for carrying out training in financial management and control in the public sector in 2008. Furthermore, two-week training will be carried out for two employees in the Unit for Harmonisation of Financial Management and Control in one of the new EU Member States.

## **STRENGTHENING OF THE INSTITUTIONAL CAPACITIES FOR FINANCIAL MANAGEMENT AND CONTROL IN PUBLIC SECTOR ENTITIES**

On the basis of the training carried out and the guidelines provided by the Ministry of Finance, public sector entities (especially those that will use the EU funds) will develop procedures for the business processes they perform and will establish internal controls on the basis of risk assessment.

To this end, in 2008, training sessions about risk assessment and implementation of the procedures for business processes will be organised for heads of sectors and units in 10 pilot institutions in the public sector.

### **3.32.2 INTERNAL AUDIT**

#### **LEGAL FRAMEWORK**

Internal audit in the public sector in the Republic of Macedonia is regulated with the following acts:

- Law on Internal Audit in the Public Sector (Official Gazette of the Republic of Macedonia, No. 69/04), which regulates the system of internal audit based on the international standards for internal audit, goals, principles, organisation, functioning and competences of internal audit of entities in the public sector in the Republic of Macedonia. The Law on Internal Audit in the Public Sector and by-laws are prepared in compliance with the Regulation 32002R1605 on financial regulation, which refers to the general budget of the European Communities.
- Rulebook on the basic elements of the guidelines for the operation, the charter, the annual plan and the programme for internal audit (Official Gazette of the Republic of Macedonia, No. 38/2005), and
- Rulebook on the manner of conducting internal audit activities (Official Gazette of the Republic of Macedonia, No. 72/03), which adopts the International standards for the Professional Practice of Internal Auditing, published by the US Institute for Internal Auditors.
- Internal Audit Manual, published on the website of the Ministry of Finance.

#### **INSTITUTIONAL FRAMEWORK**

Strengthening of the institutional capacities for development of internal audit in the Ministry of Finance was made by establishing two units within the Sector for Public Internal Financial Control:

- Unit for Harmonisation of Internal Audit – with 3 executing officers; and
- Unit for Internal Audit - with 5 auditors.

Within the central government institutions, 24 units for internal audit have been established so far, and on local level, auditors have been appointed in 18 municipalities. The initial and advanced training on internal audit was completed by 80 internal auditors.

### **SHORT TERM PRIORITIES**

#### **LEGAL FRAMEWORK**

Strengthening of the legal framework for internal audit in the public sector will be a permanent task of the Unit for Harmonisation of Internal Audit. As a result of the strengthened independence of internal auditors in the public sector by applying the

amendments to the Law on Internal Audit in the Private Sector, the independence of the internal audit units will grow and the status of the internal auditors will improve. Strengthening of the independence of units for internal audit in public sector entities will be made by adopting charters on internal audit in 2007.

### **STRENGTHENING THE INSTITUTIONAL CAPACITIES IN THE MINISTRY OF FINANCE**

Unit for Harmonisation of Internal Audit will have two additional employees by the end of 2007.

The Unit for Central Internal Audit, which employs five auditors, will be strengthened with one additional executing officer – internal auditor for information technology audit.

In 2007 within the Twinning Project, the capacity of the Unit for Harmonisation of Internal Audit will be strengthened by acquiring experience during the study tour in an EU member state, which has a developed internal audit system.

### **STRENGTHENING OF THE INSTITUTIONAL CAPACITIES OF INTERNAL AUDIT UNITS IN THE PUBLIC SECTOR**

Strengthening of the institutional capacities of internal audit units in public sector in 2007 will be made by establishing internal audit units in those institutions which lack such units, as well as by additional staffing in the existing internal audit units.

Internal audit units on central level in 2007 will be strengthened with additional 40 internal auditors employed/overtaken.

In 2007, 20 additional internal auditors will be employed/overtaken in the local government units.

In 2007 advanced training in systematic audit will be organised, which in addition to the theoretical part, will also include practical part, encompassing pilot audits carried out together with the foreign experts. Also, training in analysis and risk assessment, drafting strategic and annual audit plans, audit techniques, basic and advanced training in IT audit, public procurement audit and prevention of frauds, communication skills, presentation skills and drafting audit reports will be organised for the internal auditors.

### **FOREIGN ASSISTANCE**

The implementation of the Twinning Project for development of the public internal financial control under CARDS 2006 will begin in 2007 and it will be realised by the end of 2008. The project envisages strengthening of the capacities for internal audit.

### **MEDIUM TERM PRIORITIES**

#### **HARMONISATION OF THE LEGISLATION**

In 2008, the Law on Internal Audit in the Private Sector will be amended, regulating the certification process of certified public auditors, followed by adoption of a Rulebook on obtaining the title of certified auditor and training curriculum.

### **STRENGTHENING THE INSTITUTIONAL CAPACITIES IN THE MINISTRY OF FINANCE**

In order to strengthen the capacity of the Unit for Harmonisation of Internal Audit in 2008, the number of employees will be increased by one executing officer.

For the purpose of providing conditions for continuous training of internal auditors, training for 10 trainers in internal audit will be organised within the Twinning Project in 2008.

In order to prepare a training curriculum and determine the procedure for taking the exam for obtaining the title of certified auditor, a study tour will be organised in 2008 in an EU Member State or a Candidate Country, where certification of auditors is already successfully implemented.

### **STRENGTHENING OF THE INSTITUTIONAL CAPACITIES OF INTERNAL AUDIT UNITS IN THE PUBLIC SECTOR**

In the period 2008-2010, the additional staffing of the internal audit units on central and local level and the continuous training of internal auditors will continue.

In 2008, within the Twinning Project, an initial training of 40 internal auditors will be organised, as well as pilot systematic audits in 10 institutions in the public sector, so as to evaluate the progress in the implementation of the financial management and control.

## **3.32.3 CONTROL OVER EU FUNDS**

### **LEGAL FRAMEWORK**

Control over the utilisation of EU funds in the Republic of Macedonia is regulated with the following acts:

- Law on Budgets (Official Gazette of the Republic of Macedonia, No. 64/05);
- Law on Execution of the Budget for a Certain Year;
- Law on Organisation and Operation of State Administrative Bodies (Official Gazette of the Republic of Macedonia, Nos. 58/2000 and 44/02);
- Law on Civil Servants (Official Gazette of the Republic of Macedonia, Nos. 59/2000, 112/2000, 34/01, 103/01, 43/02, 98/02, 17/03, 40/03, 85/03, 17/04, 69/04 and 81/05);

- Law on Accountancy of the Budgets and Budget Beneficiaries (Official Gazette of the Republic of Macedonia, Nos. 61/02, 98/02 and 81/05);
- Law on State Audit (Official Gazette of the Republic of Macedonia Nos. 65/97, 70/01, 31/03, 19/04, 70/06);
- Rulebook on accountancy of the budgets and budget beneficiaries (Official Gazette of the Republic of Macedonia, No. 28/03);
- Rulebook on organisation and operations of the Ministry of Finance No. 01-8440/1 dated 09.04.2004 to No. 01-8440/6-2004 dated 10.10.2006;
- Guidelines on the manner of treasury operations (Official Gazette of Republic of Macedonia, No. 85/06);
- Guidelines on the manner of executing orders on decisions for forced payment that indebit the treasury account, i.e. the account of the debtor within the treasury account (Official Gazette of the Republic of Macedonia, No. 55/03).
- Law on Internal Audit in the Public Sector (Official Gazette of the Republic of Macedonia, No. 69/04);
- Rulebook on the basic elements of the guidelines for the operation, the charter, the annual plan and the programme for internal audit (Official Gazette of the Republic of Macedonia, No. 38/2005), and
- Rulebook on the manner of conducting internal audit activities (Official Gazette of the Republic of Macedonia, no. 72/03), which adopts the International standards for the Professional Practice of Internal Auditing, published by the US Institute for Internal Auditors.
- Internal Audit Manual, published on the website of the Ministry of Finance.

## **INSTITUTIONAL FRAMEWORK**

Central bodies were established in the Republic of Macedonia, necessary for utilisation of the resources from the EU Instrument for Pre-Accession (IPA) under the principle of decentralised implementation system.

The Ministry of Finance established a Unit for EU Funds Management (the National Fund), in charge of the following: managing the assistance from the European Union in accordance with the requirements of the European Commission, provision of information on monitoring their utilisation and reporting to the European Commission.

The Minister for Finance is the National Authorising Officer (NAO). The Minister is responsible for the operations of the National Fund, management with funds provided under the pre-accession assistance programmes, planning of the national co-financing as well as ensuring compliance with the EU rules, laws and procedures regarding procurements, reporting and financial management.

The Central Financing and Contracting Unit (CFCU) was established as a separate Unit within the Sector for Budgets in the Ministry of Finance. This body is in charge of implementing tender procedures, contracting and making payments for projects aimed at strengthening the administrative capacities of the Republic of Macedonia and other projects within the decentralised implementation system. The Unit will also be responsible for reporting in accordance with the rules and procedures of the European Union.

Internal auditors from the Unit for Central Internal Audit within the Ministry of Finance were appointed to carry out the audit of using the EU funds.

In December 2006, the Government of the Republic of Macedonia appointed the Sectoral Coordinator for the third and fourth IPA component, who, in cooperation with the Ministry of Finance, will prepare the Strategic Coherence Framework aimed at supporting the economic development of the Republic of Macedonia.

Upon a proposal by the Minister for Finance, the Government of the Republic of Macedonia in the first quarter of 2007 will appoint authorised accreditation officer that would give accreditation to NAO and the National Fund.

## **SHORT TERM PRIORITIES**

### **LEGAL FRAMEWORK**

The Law on Public Internal Financial Control will start applying in 2007, pursuant to which the entities using resources from the European Union funds shall be obliged to implement special conditions on the financial management, internal controls and internal audit, set by the European Commission.

In 2007 the following will be signed: Framework Agreement on IPA, Financial Agreement and sectoral agreements with the European Commission.

In 2007, the National Authorising Officer will adopt a Manual on internal operating procedures of the CFCU and Manual on internal operating procedures of the NF, which will be published on the website of the Ministry of Finance.

## **STRENGTHENING THE INSTITUTIONAL CONTROL CAPACITIES IN THE MINISTRY OF FINANCE**

In 2007, within the Ministry of Finance – Sector for Public Internal Financial Control, a **Unit for certification of the IPA funds** management system will be established including 4 job positions. By the end of 2007, this Unit will be capable of preparing an annual Audit Report on the operations of the IPARD Agency and the National Fund, on the basis of which the Head of the Sector for Public Internal Financial Control will issue an Annual Certificate confirming that the overall system of management and control in these institutions is compliant with the system of sound management with EU funds.

## FOREIGN ASSISTANCE

With EU technical assistance, in the period February – May 2007, a project will be implemented, including preparation of Gap Assessment Report and Gap Plugging Stage. This project will evaluate the capacities of the independent audit body and the need to strengthen the same, by implementing new project with EU technical assistance.

In April 2007, a project for technical assistance will start and last for 18 months, aimed at supporting the Secretariat for European Affairs, the Central Financing and Contracting Unit and the National Fund in the establishment of decentralised system of management with the EU pre-accession assistance. The project will include organisation of trainings for the employees and discussing of decentralised implementation system procedures.

## MEDIUM TERM PRIORITIES

In mid-term period, the decentralised system of management with the EU pre-accession assistance will become fully decentralised system of management without ex ante control by the European Commission.

### 3.32.4 STATE (EXTERNAL) AUDIT

#### LEGAL FRAMEWORK

The function of state audit in the Republic of Macedonia is regulated by the following legal acts:

- **Law on State Audit** (Official Gazette of the Republic of Macedonia Nos. 65/97, 70/01, 31/03, 19/04, 70/06);

The Law regulates the conditions and the manner of conducting state audit of the Budget of the Republic of Macedonia, budgets of local government units, budgets of funds (hereinafter: the budgets), budget beneficiaries and beneficiary units, public enterprises, the National Bank, legal entities in which the state is dominant shareholder, political parties financed with budget funds, agencies and other institutions established by law, other institutions financed by public funds, as well as beneficiaries of funds from the European Union and other international institutions.

The Law on State Audit is harmonised with Directive 31984L0253, in the part that refers to the conditions that certified auditors need to fulfil. The amendments of the Law in the second quarter of 2006 (Official Gazette of the Republic of Macedonia No. 70/06) resulted in harmonisation of this Law with the principles of the Lima Declaration and by reformulation and clarification of certain provisions, the efficiency of the state administration has been raised.

- **Rulebook on auditing standards for state audit** (Official Gazette of the Republic of Macedonia No. 56/98).

The Rulebook contains the auditing standards of the International Organisation of Supreme Audit Institutions (INTOSAI) and IFAC.

- Rulebook on the manner of taking an examination, form and contents of the certificate and the amount of costs for taking the examination and obtaining the title of certified auditor (Official Gazette of the Republic of Macedonia, No. 29/01).
- Rulebook on the form, contents and manner of issuing and withdrawing the official identification card of the authorised state auditors (Official Gazette of the Republic of Macedonia, Nos. 85/01 and 10/2002).
- Programme for taking the exam for obtaining the title certified auditor, published on the website of the State Audit Office;
- INTOSAI Code of Ethics – published on the website of the State Audit Office, defining the values and principles as professional obligations while conducting the work of auditors;
- Code of business ethics and conduct of the SAO employees;
- Rulebook on State Audit - Financial audit, published in 2005.

The Rulebook elaborates the general approach of the State Audit Office in carrying out the financial audit in the public sector entities, explaining the key issues of the methodological approach that need to be considered, analysed and evaluated, as well as the correlation with regard to the application of the relevant auditing standards and regulations.

- **Manual on performance audit**, prepared within a World Bank project for development of the SAO in 2005;
- **Protocol on cooperation between the State Audit Office and the Ministry of Finance** with regard to the exchange of information in the area of financial management and control, internal audit in the public sector and the state audit, signed on 20 October, 2006;
- **Guidelines on the level of audit materiality in the audit opinion**;
- **Document on IT development within the SAO**;
- **Plan on professional education of state auditors**, adopted on an annual basis;
- **Strategy for Development of the State Audit Office**, for the period 2006 - 2010 (entered into force on 1 June, 2006)

#### INSTITUTIONAL FRAMEWORK

Pursuant to the Law on State Audit, the State Audit Office is the institution responsible for implementation of legal acts and for realisation of professional upgrading (training).



Within the Annual Working Programme adopted by the Chief State Auditor, the State Audit Office determines the number of entities that will be covered by the state audit, as well as the types of audits to be carried out.

The realisation of the Twinning Project with the Dutch Audit Court began in 2005 and will last until 2008. Under this project, state auditors are trained to carry out financial audit and performance audit.

For the purpose of utilizing the EU best practices, the State Audit Office in 2006 began implementing performance audits in parallel with the Supreme Audit Institutions from the candidate countries and the potential candidates for EU membership, whereby assistance is provided by SIGMA experts, the European Court of Auditors and the Working Group for joint audit activities managed by the UK SAI. Subject to the parallel audits are the projects financed with EU funds.

Taking into account the commitment for further strengthening of SAO's operational capacities the number of employees in the SAO was increased by 5 persons in 2006, whereby the total number of present employees is 80.

In April 2006 the Rules of Procedure of the Government of the Republic of Macedonia was amended (Official Gazette of the Republic of Macedonia No. 51/06) whereby the existing working bodies – basic commissions (Commission for Political System, Commission for Economic System and Current Economic Policy and Commission for Human Resources and Sustainable Development) are in charge of considering the reports of the ministries and other state administrative bodies regarding the measures undertaken to overcome the disclosed irregularities in the audit reports of the respective competent body. Therefore, a civil servant was appointed in the General Secretariat of the Government of the Republic of Macedonia that will be responsible for monitoring the realisation of recommendations in the audit reports of the SAO.

## **SHORT TERM PRIORITIES**

### **LEGAL FRAMEWORK**

In 2007, a new Law on State Audit will be adopted, which would ensure:

- strengthening of operational capacities as well as functional and financial independence of the State Audit Office in accordance with the recommendations of the Prague Declaration and the best practices of the EU Member States;
- professional development of state auditors; and
- more efficient monitoring of the implementation of the recommendations in audit reports.

For the purpose of completing the legal framework for external audit in the Republic of Macedonia, in 2007 the SAO will carry out the following:

- prepare an Initiative for amending the Constitution of the Republic of Macedonia, making the State Audit Office a constitutional category.
- by end of June 2007, submit to the Assembly of the Republic of Macedonia amendments to the SAO tariffs, setting new criteria for calculation of audit costs.

In 2007, the SAO will adopt the following:

- new Programme for taking the examination for obtaining the title of certified auditor, updating the components of the Programme currently applying;
- Rulebook on amending the Rulebook on the manner of taking the examination, the form and contents of the certificate and the amount of costs for taking the examination for obtaining the title of certified auditor (Official Gazette of the Republic of Macedonia, No. 29/01), prescribing the manner of taking the examination in accordance with the adopted new Programme.
- Rulebook on amending the Rulebook on issuing and withdrawing the official identification card.
- Amendments to the Act on organisation and systematisation of working posts in SAO.

For the purpose of successful monitoring of the realisation of recommendations in the audit reports of the SAO, in 2007 the SAO will define instruments for communication and promotion of the cooperation with the General Secretariat of the Government of the Republic of Macedonia.

## **STRENGTHENING THE INSTITUTIONAL CAPACITIES**

Further strengthening of the operational capacities of SAO will represent a short-term priority.

- Plan for development of a document on Management Information System in the State Audit Office, whereby information on the management and employees will be constantly updated and easily accessible in the required form and contents, and its implementation;
- Drafting a special document (strategy) of the human resources policy.
- Plan for Professional Education of State Auditors, adopted on an annual basis;
- SAO will continue the training of its employees as follows: basic training in financial audit and performance audit for 28 auditors; IT basis in the function of audit for 60 auditors, audit of the EU funds for 10-15 auditors, audit of environmental protection for 10-15 auditors etc.
- In 2007, ten new employments are planned, whereby the number of employees in SAO should reach 90.

## **FOREIGN ASSISTANCE**

In order to improve the professional level and adoption of the best practices of supreme auditory institutions in the EU, professional education of state auditors will be implemented in period 2006 - 2008 through a twinning project, which will be implemented by the State Audit Office in cooperation with the Dutch Audit Court as technical assistance.

The twinning project will be realised through the following components: legal framework, organisational and administrative capacities, strengthening of auditory skills and audit of information systems. The value of the entire project is EUR 931,812.

The State Audit Office will seek foreign assistance for realisation of the training for preparation and taking the examination for obtaining the title of certified auditor.

## **MEDIUM-TERM PRIORITIES (2008-2010)**

### **LEGAL FRAMEWORK**

In the period 2008-2010, activities will be aimed at further harmonisation of state audit with EU standards and practices.

- Updating the State Audit Manual – regarding financial audit and performance audit;
- Preparation of detailed methodological guidelines for carrying out state audit and their continuous updating.

### **STRENGTHENING THE INSTITUTIONAL CAPACITIES**

Further strengthening of the operational capacities of SAO will remain a medium-term priority.

- SAO will continue the training of its employees for development of the professional improvement techniques regarding the following: audit trail, performance audit, audit of IT systems, audit of the EU funds, audit of environmental protection etc.
- The State Audit Office plans to begin the activities for organisation of the exam for obtaining the title of certified auditor. To this end, training will be provided for the candidates to prepare.
- For the purpose of strengthening of the operational and functional capacities of the SAO, in the period 2008-2010 the number of executing officers should reach the optimum number required to carry out the tasks of the State Audit Office - 125.

## **3.32.5 PROTECTION OF THE EU FINANCIAL INTERESTS**

### **LEGAL FRAMEWORK**

The protection of EU financial interests is regulated under the Law on Public Internal Financial Control, which is expected to be adopted by the Assembly of the Republic of Macedonia by the end of 2006 or at the beginning of year 2007.

In order to protect the financial interests of the European Communities, the Ministry of Finance will coordinate the activities for the needs of OLAF and will provide guidelines for the institutions for reporting the irregularities, whereby all information regarding irregularities, disclosed by the entities when using resources from the EU funds or resources obtained from European funds with state co-financing, will be submitted to the Unit for Coordination of Fraud Prevention within the Ministry of Finance.

The enforcement of the Law on Public Internal Financial Control as of 2007 will ensure that all users of the European Union funds will enable the authorised persons from the Ministry of Finance, the inspectors from the European Commission and the European Court of Auditors free access to the complete documentation, offices, resources and staff.

### **INSTITUTIONAL CAPACITIES**

In 2006, the Sector for Public Internal Financial Control established a Unit for Coordination of Fraud Prevention, with 2 executing officers according to the systematisation act.

### **STRENGTHENING THE INSTITUTIONAL CAPACITIES IN THE MINISTRY OF FINANCE**

In 2007, the Unit for Coordination of Fraud Prevention will have staff of 2 employees.

## **FOREIGN ASSISTANCE**

In 2007, OLAF will be contacted so as to determine the manner of further cooperation.

## **3.32.6 PROTECTION OF THE EURO FROM COUNTERFEITING**

### **LEGAL FRAMEWORK**

The legal framework that regulates the system of protection of the Euro from counterfeiting in the Republic of Macedonia comprises the following acts:

- Criminal Code of the Republic of Macedonia (Official Gazette of the Republic of Macedonia, Nos. 37/96, 80/99, 4/02, 43/03, 19/04 and 81/05) in Chapter XX – Criminal Acts against Public Finances, Payment Operations and Economy, Article 268 – Money Counterfeiting;

- Law on Criminal Procedure (Official Gazette of the Republic of Macedonia, Nos. 15/97, 44/02, 74/04 and 15/05), with regard to international cooperation and mutual legal assistance in criminal matters;
- International Convention for the Suppression of Counterfeiting Currency from 1929 (League of Nations), adopted by the Republic of Macedonia in March 2005;
- Law on Internal Affairs (Official Gazette of the Republic of Macedonia Nos. 19/95, 15/97, 55/97, 38/92, 13/03 and 19/04).
- Law on Police (Official Gazette of the Republic of Macedonia, No. 114/06).

Existing strategic documents that define the policy and guidelines for development of the system for protection of the Euro from counterfeiting:

- Strategy for reforms in the judicial system;
- Strategy for reforms in the police;
- Action Plan for prevention of organised crime; and
- Action Plan for implementation of the process of reforms in the police.

## **INSTITUTIONAL FRAMEWORK**

The competent institution for preparation of the legal framework on the status of counterfeiting Euros and other foreign currencies as a criminal act is the Ministry of Justice, which proposes the Criminal Code of the Republic of Macedonia and the Law on Criminal Procedure. The competent institution for preparation of the legal framework that regulates and implements the system of protection from counterfeiting Euros and other foreign currencies, is the Ministry of Interior proposing the Law on Police.

The Ministry of Interior, pursuant to the Law on Internal Affairs and the Law on Police, is responsible for undertaking measures for prevention of counterfeit banknotes of Euros and other foreign currencies by timely revealing and capturing the counterfeiters and all participants in their resale and putting into circulation, and by transferring them to the Public Prosecutor's Office of the Republic of Macedonia and the courts.

In order to realise this task, a Unit for Cyber Crime and Counterfeits has been set up in the MI's Section for Organised Crime – Department for Financial Crime, which directly operates in preventing and revealing the counterfeiting of Euros and other foreign currencies. The Systematisation Act envisages 5 positions in this Unit, 2 of which have been fulfilled. Additional 3 executing officers will be hired in the Unit for Cyber Crime and Counterfeits in the Section for Organised Crime – Department for Financial Crime within the Ministry of Interior by the end of 2007.

In addition to this Unit, a competent body for prevention of counterfeit money is the Unit for Evaluation of Disputable Documents within the Forensic Department, which works on providing evidence for determination of a counterfeit of foreign banknotes and coins by conducting an appropriate technical analysis. According to the Systematisation Act, 5 posts are envisaged for this Unit, 4 of which have already been filled. For the purpose of achieving these objectives, the Unit has modern technical equipment and trained personnel.

Training of employees in the two sections has been undergoing for several years, with the participation at several expert seminars and other forms of professional training in the country and abroad, organised by experts and appropriate international institutions.

## **SHORT TERM PRIORITIES**

### **HARMONISATION OF THE LEGISLATION**

By the end of 2007, a by-law will be adopted on the form and the manner of keeping records in the police, regulating in detail the procedures for keeping a registry of disclosed counterfeits of Euros and other currencies.

### **STRENGTHENING THE INSTITUTIONAL CAPACITIES**

Institutional strengthening of the combat against counterfeiting of Euros in 2007 will be made by hiring additional 3 executing officers in the Unit for Cyber Crime and Counterfeits in the Section for Organised Crime - Department for Financial Crime within the Ministry of Interior and 1 person in the Unit for Evaluation of Disputable Documents within the Forensic Department in the Ministry of Interior.

In 2007 training will be organised for the employees in the Unit for Cyber Crime and Counterfeits and the Unit for Evaluation of Disputable Documents.

## **FOREIGN ASSISTANCE**

For the purpose of improving the effectiveness in the prevention of counterfeiting Euros and other foreign currencies, a Project for development of IT support in this sector will be initiated through the programme Pericles in 2007, as well as appropriate training. The financial envelope for implementation of the project is EUR 97.895.

## **MEDIUM TERM PRIORITIES**

### **HARMONISATION OF THE LEGISLATION**

In 2008, Guidelines will be prepared on the manner of reporting counterfeits of Euros and the manner of disclosing the counterfeits, in accordance with the EU procedures.

## STRENGTHENING THE INSTITUTIONAL CAPACITIES

Employees will be trained according to the programme to be prepared and realised with OLAF and other international institutions in this area.

BUDGETARY BENEFICIARY/ INSTITUTION	INSTITUTION/ SECTOR	Current status 31.12.2006	2007	2008	2009	2010	Total
02002: State Audit Office	SAO: State Audit Office	75	10	5	10	5	30
02002: State Audit Office Total		75	10	5	10	5	30
09001: Ministry of Finance	MF: PIFC Sector/ Unit for Central Internal Audit	6	1	0	0	0	1
	MF: PIFC Sector/ Unit for Certification of the System for IPA Funds Management	0	2	1	0	0	3
	MF: PIFC Sector/ Unit for Coordination of Counterfighting	0	1	1	0	0	2
	MF: PIFC Sector/ Unit for Financial Management and Control	0	2	2	1	0	5
	MF: PIFC Sector/ Unit for Harmonisation of Internal Audit	3	2	1	0	0	3
09001: Ministry of Finance Total		9	8	5	1	0	14
09002: Ministry of Finance/ Government Functions	MF: Central institutions - Internal audit (* budget transfer to each central institution)	50	20	20	0	0	40
	MF: LSG units for internal audit (** to be presented into the LSG budget)	18	10	10	0	0	20
09002: Ministry of Finance/ Government Functions Total		68	30	30	0	0	60
<b>TOTAL</b>		<b>152</b>	<b>48</b>	<b>40</b>	<b>11</b>	<b>5</b>	<b>104</b>

### 3.33 FINANCIAL AND BUDGETARY PROVISIONS

#### CURRENT SITUATION

##### LEGAL FRAMEWORK

- Financial and budgetary provisions in the Republic of Macedonia are regulated by the following legal acts:
- **Law on Budgets** ("Official Gazette of the Republic of Macedonia", no. 64/05). *Form NPPA-1 indicates the decisions (2) and regulations (9) that the Law on Budgets is harmonised with.*
- **Law on Budget Execution for a specific year.** *This law is accompanied by and regulates the execution of the budget, and should be harmonised in full with the Law on Budgets.*
- **Law on Organisation and Operation of State Administration Bodies** ("Official Gazette of the Republic of Macedonia", nos. 58/2000 and 44/02);
- **Law on Civil Servants** ("Official Gazette of the Republic of Macedonia", nos. 59/2000, 112/2000, 34/01, 103/01, 43/02, 98/02, 17/03, 40/03, 85/03, 17/04, 69/04 and 81/05);
- **Law on Accounting of the Budget and Budget Beneficiaries** (Official Gazette of the Republic of Macedonia nos. 61/02, 98/02 and 81/05). *This law with certain provisions has been harmonised with the accounting standards on the cash basis. After the full harmonisation with the standards, the law should cease to apply.*
- **Rulebook on accounting for budgets and budget beneficiaries** ("Official Gazette of the Republic of Macedonia", nos. 28/03 and 62/2006);
- **Rulebook on organisation and operations of the Ministry of Finance** no. 01-8440/1 dated 09.04.2004;
- **Guidelines on the manner of treasury operations** ("Official Gazette of Republic of Macedonia", no. 85/06);
- **Guidelines on the manner of executing orders on decisions for enforced collection that indebted the treasury account, i.e. the account of the debtor within the treasury account** ("Official Gazette of the Republic of Macedonia", 55/03, 45/05, 115/05);
- **Guidelines on the manner of recording, allocation and refund of public revenues** („Official Gazette of the Republic of Macedonia“, no. 8/06);
- **Rulebook on revenue classification;**
- **Rulebook on expenditure classification;**
- **Law on Internal Audit in the Private Sector** („Official Gazette of the Republic of Macedonia“, no. 69/04); *With regard to the harmonisation of this law, explanations have been provided in the part that refers to financial control.*
- **Law on Public Debt** ("Official Gazette of the Republic of Macedonia" no. 62/05).

##### STRATEGIC DOCUMENTS

The Ministry of Finance prepares the Fiscal Strategy (three-year) of the Republic of Macedonia, which provides the basis for defining of the general economic policies of the Government of the Republic of Macedonia, through determination of the guidelines of the macroeconomic and fiscal policy, financial management and control of budget funds of the general Government Budget.

The Fiscal Strategy of the Republic of Macedonia for the period 2006-2008 defines: the macroeconomic framework for the current year and projections of the basic indicators by 2009, realisation of the revenues and expenditures of the general Government Budget in the current year and the preliminary projections by 2009, as well as assumptions and risks that determine the medium term projections and policies of the Government for the upcoming years.

The establishment and enhancement of the Strategic Planning among budget beneficiaries will represent a significant input in the preparation of this strategic development document of the Government.

##### INSTITUTIONAL FRAMEWORK

The Minister of Finance is responsible for the preparation of the Budget of the Republic of Macedonia and its delivery to the Government of the Republic of Macedonia.

The Budget of the Republic of Macedonia and municipal budgets refer to a period of one fiscal year, i.e. 12 months, starting from January 1, and ending on December 31.

Bases for preparation of the budgets are the strategic priorities of the Government of the Republic of Macedonia, the Fiscal Strategy, draft-strategic plans of Budget beneficiaries and the budget policy, as well as priorities of municipalities.

Planned revenues and other inflows are the revenues and other inflows of the core budget, budget revenues of self-financed activities, budget revenues of donations, budget revenues of loans, and revenues and other budget income of funds and municipalities.

The budgets contain the approved means by budget beneficiaries and determined purposes that refer to the financing of current, capital and other expenditures of the budget beneficiaries and the spending units for execution of activities presented through programmes and sub-programmes.

Bases for preparation of the budgets are the strategic priorities of the Government of the Republic of Macedonia, the Fiscal Strategy, draft-strategic plans of Budget beneficiaries and the budget policy, as well as priorities of municipalities.

Budget beneficiaries must not undertake obligations or incur expenditures exceeding the approved resources under the Budget of the Republic of Macedonia and the municipal budget.

Validity of unused approved budget funds ceases on December 31 of the current fiscal year.

The budgets also determine the long-term spending rights in the upcoming fiscal years.

The amount of necessary resources for long-term spending rights is determined on the basis of the liabilities undertaken by way of concluded agreements, liabilities undertaken on the basis of co-financing, borrowing agreements, decisions on issuance of government securities, as well as liabilities with regard to acquired membership of the Republic of Macedonia in international financial institutions.

The criteria, the manner, the conditions, the limitations and the procedure for borrowing are determined pursuant to the Law on Public Debt.

Budget execution pursuant to the Law on Budgets encompasses collection and recording of revenues and other inflows in accordance with the revenue plan, as well as payments in accordance with the approved resources. Budget execution requires effective and efficient fulfilment of the objectives of the budget programme through transparent procedures.

The Treasury is an organisational unit within the Ministry of Finance, entrusted with the task of efficient and effective management with public financial resources, by carrying out the following functions, as especially significant segment of the overall functioning of the state.

- Liquidity management of the treasury and other accounts of the state;
- Monitoring the collection of public revenues and other inflows to the Treasury account;
- Execution of the Budget of the Republic of Macedonia and the budgets of local government units, with a planning approach in the dynamics of budget execution;
- Keeping budget accounting for the Central Budget of the Republic of Macedonia, and
- Drafting of daily and periodical reports on collection of revenues and realisation of expenditures according to national and international standards.

The Treasury account, managed by the Treasury, was opened within the National Bank of the Republic of Macedonia and is used for centralised collection of all public revenues and execution of public expenditures ("Single Treasury Account" concept). Within this account, all budget beneficiaries, including Funds and local government units have their accounts, as sub-accounts. Pursuant to the Law on Budgets, they cannot have accounts outside the Treasury Account. Only the Ministry of Finance – Treasury can open other accounts with a holder of payment operations for certain financial resources which require special operational execution and monitoring. For foreign currency resources from donors and for other foreign currency resources supporting the activities of the budget beneficiaries, they can open foreign currency accounts with the National Bank of the Republic of Macedonia upon prior consent by the Ministry of Finance.

The Ministry of Finance is responsible for management with the resources obtained from the Budget of the European Union, pursuant to the financing and contracting provisions and rules of the European Union.

Pursuant to the Law on Budgets, budget beneficiaries are the first-line beneficiaries from the legislative, executive and judicial authorities, Funds, municipal budget beneficiaries, and beneficiaries established by law that conduct public competences;

In line with the implementation of laws and procedures prescribed by the European Commission for realisation of programmes and projects that the European Union allocates to the Republic of Macedonia, two new units for development of the financial management system were established in the course of 2005:

- Central Financing and Contracting Unit (CFCU), with 8 employees. This newly established unit within the Ministry of Finance will be competent for planning, tendering, contracting, payments, accounting and financial aspects of reporting to the European Commission related to the realisation of programmes financed by the pre-accession funds ("IPA – Instrument for Pre-Accession") of the Union.
- National Fund (NF) – (or Unit for EU Funds Management), through which the pre-accession EU funds will be directed in the partner-country, and which is to provide firm financial control of the utilisation of the resources from all 5 IPA components by establishment and upgrade of the internal control, accounting and audit system. The National Fund is a unit within the Treasury Department, with 5 employees. It needs to be staffed with 2 new employees by the end of 2007, and with additional 3 new employees by 2010, i.e. by the end of 2010, the Unit is envisaged to have 10 employees.

## **SHORT TERM PRIORITIES**

The required legislation for harmonisation and development of the financial management system of EU funds will be adopted in the course of 2007.

In order to determine in more detail the competencies of the two units competent for management of EU funds, a Rulebook on the operating procedures of the Central Financing and Contracting Unit is being drafted, as well as Rulebook on the operating procedures of the Unit for EU Funds Management, referring to the setup of the national structures for decentralised management of EU programmes, in accordance with the EU regulations.

Additionally administrative capacities will be strengthened with 8 new employees (2 in National Fund and 6 in Central Financing and Contracting Unit). For the new employees proper training and ICT equipment will be ensured.

Within the scope of activities aimed at full harmonisation and development of the financial management system, draft-amendments and modifications to the Law on Budgets are planned for adoption in October 2007.

### **MEDIUM TERM PRIORITIES**

The necessity for further development of strategic planning, which is essential for budget management of certain budget beneficiaries and for achieving greater transparency, efficiency, rationality and legality in the utilisation of budget resources will be assessed in the period 2008-2010.

In line with the aforementioned, training is planned in all ministries and state administration bodies preparing legal acts and bylaws so as to clearly see the overall needs for financial resources in the upcoming period, both regarding the resources and the equipment and space, which requires determination of performance indicators and benefits to be achieved with the proposed regulations.

Budget and Funds Department additionally will strengthen its capacities with employment of 9 new persons (3 in National Fund and 6 in Central Financing and Contracting Unit). The new employees will be provided with ICT equipment and proper training. Long-term policies of the Government sectors quantified in the strategic plans are a guarantee for continuous and sustainable development for the purpose of fulfilling the set objectives.

Budget reforms, financial management and control must undoubtedly be accompanied by appropriate improvements of the existing information technology system on budget and treasury work. For this purpose, a need was determined to procure new software for the needs of budget planning.

### **STRENGTHENING THE INSTITUTIONAL CAPACITIES**

It is necessary to develop the required capacity of the newly established units within the Ministry of Finance for management of European Union funds. For that purpose, new posts have been envisaged in the two units according to the following dynamics:

#### **INSTITUTIONAL STRENGTHENING REQUIREMENTS**

<b>BUDGETARY BENEFICIARY/ INSTITUTION</b>	<b>INSTITUTION/ SECTOR</b>	<b>Current status 31.12.2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>Total</b>
09001: Ministry of Finance	MF: Sector for Budget and Funds / Sector for Treasury	13	5	4	3	3	15
09001: Ministry of Finance Total		13	5	4	3	3	15
<b>TOTAL</b>		<b>13</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>3</b>	<b>15</b>

### **FOREIGN ASSISTANCE**

On the short-term, funds from CARDS 2005 programme in the amount of Euro 2,3 million will be used for strengthening of the capacities of the two newly established units, part of which for preparation of an analysis of the current state of the newly established structures for EU funds management according to EU regulations, while part will be intended for trainings of all relevant participants in the decentralised system of EU funds management, part for the IPARD Agency, part for preparation of clear guidelines for efficient use of EU funds, and technical assistance as daily support to the two units in charge of EU funds management.

On the mid-term, funds are envisaged within CARDS 2006 programme in the amount of Euro 1,5 million for further strengthening of the capacities and providing technical assistance to the two units and other participants in the EU funds management process.

## 4 ADMINISTRATIVE CAPACITY FOR THE IMPLEMENTATION OF THE ACQUIS

### 4.1 HORIZONTAL ISSUES – REFORM OF PUBLIC ADMINISTRATION

The Strategy for Reform of the Public Administration, among others, identified the process of integration of the Republic of Macedonia in the EU as one of the incentives for implementation of the administration reform. In other words, the public administration reform is to contribute to fulfilling the criteria for EU membership, that and to build administration capable of successful management of the negotiation process for EU membership, and what is even more important, administration able to efficiently and effectively transpose and implement the acquis. In addition to this significant horizontal undertakings, whose main objective is to build public administration which, applying the common European administrative principles and standards, will successfully function in the so called 'European Administrative Space', 'sectoral' reforms for approximation of Macedonian to European legislation enforced until now, already have and will have much more intensive influence on the administrative structure in the RM, because of the introduction of new institutions in the system, as well as for the necessity of institutional strengthening.

In order to establish a **legal framework for the functioning of the new civil service system** and to realise the objectives of the state administration reform, the Law on Civil Servants ("Official Gazette of the Republic of Macedonia", Nos. 59/00, 112/00, 34/01, 103/01, 43/02, 98/02, 17/03, 40/03, 85/03, 17/04, 69/04, 81/05 and 61/2006) was adopted in July 2000. In order to surpass the problems concerning its implementation, in September 2005 the most comprehensive amendments were adopted to contribute to the following: strengthening and consistent implementation of the established principles and standards in the sphere of selection and employment, accountability and assessment of civil servants; alleviation and economic enforcement of the employment procedure; alleviation of horizontal mobility; updated collection of data on civil servants, and their processing and entering in the Civil Servants Register. The recent amendments of the Law (Official Gazette of RM No 61/2006) were adopted as a result of the requirement to operationalise the provisions referred to in the new Election Code concerning the obligation of the civil servants to participate in the electoral bodies, that is, professionalisation of the electoral bodies.

Pursuant to the Law on Civil Servants, the Civil Servants Agency is responsible for coordination of the activities referring to **professional development and training** of civil servants, as well as promoting efficient and effective performance of the civil servants. Hence, the Civil Servants Agency adopted the "National system for training coordination and professional development of civil servants in the Republic of Macedonia" ("Official Gazette of the Republic of RM No 91/05).

Annual Programmes for training in all institutions covered by this document the final phase of preparation, which are to ensure systematic approach to the coordination, planning and implementation of the training to the civil servants in each state administrative body. Those Programmes are to contribute to the realisation of the strategic priorities and objectives, realisation of the annual operational programs and to enable planning for the required funds for training in the institution budgets. Drafting and delivery of the Annual Programmes will be monitored by the Civil Servants Agency.

Regarding the municipal administration and the requirements for professional development in particular due to the process of decentralisation, on the basis of the Memorandum signed in 2003, the Trilateral Committee for Coordination of the Training on Local Level (MLS, CSA and ZELS) supported by UNDP drafted "Assessment of the training needs for civil servants on a local level" and "Guidelines for Preparation of Annual Training Programme", which is an outcome reflected in the "Programme for Training and Professional Development of Civil Servants in the Municipal Administration".

In 2006 a five-year Strategy for Training of the Municipal Administration was adopted.

The issue of training is regulated by the following documents: Strategy for Training of civil servants on the European integration process, adopted by the Government of the Republic of Macedonia in 2000 and the three Operational Training Plans which resulted thereof (for the period 2001/2002, 2003/2004, 2005/2006).

According to the conclusions of the Thessalonica Summit (2003) for the purpose of more efficient implementation of the public administration reform and of the Euro- integration process as an umbrella process of the reforms in the society, obligation was undertaken and preparedness expressed by the EU (EC) for establishing a Regional School for Public Administration (ReSPA). In May 2006, the Republic of Macedonia together with the other Western Balkan countries, signed the Protocol for Cooperation regarding establishing ReSPA. Upon signing of the Protocol, the Steering Committee held three meetings and adopted its Rules of Procedure, the operational plan of activities for the next two years and the calendar for their accomplishment was reviewed, and the realisation of some of the activities commenced. According to the plan of activities, proposed and organised by the OECD/SIGMA, in cooperation with Civil Servants Agency the Regional Conference "Regulatory Management" was held in the Republic of Macedonia in November 2006 as a first RESPA activity.



In order determining measures and activities for **more efficient human resource management**, the General Secretariat of the Government in cooperation with the CSA prepared “Analysis on human resources in the state administration of the Republic of Macedonia – conditions, management, development and challenges” in December 2005, and an “Action Plan for implementation of the conclusions and recommendations contained in the Information” in January 2006.

According to the Strategic Plan and the legal provisions, and due to the need for **strengthening the capacity of the ‘core of the Government’ and Ministries** with regard to creating consistent and sustainable policies, their analysis, coordination and efficient implementation, Sector for Policy Analysis and Coordination, consisted of Unit for Public Administration Reform and Unit for Cooperation with Non-governmental Organisations, and Sector for Strategy, Planning and Monitoring as well as Sector for Implementation of the Ohrid Framework Agreement were established. In addition, in 2005 Sector for Economic Policies and Regulatory Reform was established, which in January 2007 on the basis of the Rulebook on Internal Organisation and in accordance with the new competences due to commenced regulatory reform, was renamed in Sector for Economic, Political and Regulatory Reform.

The Government with Decision introducing Regulations Guillotine in November 2006 commenced **regulatory reform** as an institutional mechanism for reassessment of the regulations and their simplification. The Reform is focused on repealing certain bureaucratic procedures for reducing corruptive actions and enhancing the business climate. 1500 laws and 1000-1500 bylaws will be revised until August 2007, and those which are not substantial and compatible to the principle of the market-economy will be annulled. For implementation of these activities the Government established the following institutional structure: Coordinative Committee headed by the Deputy Prime Minister of the Government for economic affairs, Sector for Economic policies and Regulatory Reform, Commission for Regulatory Reforms and working groups for the ministries and state administrative bodies. Two types of forms have been adopted: Form 1 for drafting a list of regulations and Form 2 for assessment of the justification of the regulation. The reform will be performed in three phases: 1. Drafting a list of regulations and assessment of the justification of each regulation, 2. Reassessment of the justification of regulations and making opinion on amending, annulment, or not-amending the regulation, and 3. Introducing unique electronic record of regulations published on the Government web-site. The Sector has already received forms filled in by the working groups comprising a list of regulations and their description. So far a total of 1520 regulations has been forwarded, and it is estimated that the number is 3000. Initial estimation illustrates that regulations in the field of economy, finance and internal affairs will be annulled.

The legal framework regulating the system for planning and creation of policies comprises of the Law on the Government of the Republic of Macedonia and the Rules of Procedure of the Government of the Republic of Macedonia providing for the process of strategic planning and the analysis of policies and coordination. Pursuant to the Rules of Procedure of the Government (“Official Gazette of the RM”, Nos. 38/01, 98/02, 9/03, 47/03, 64/03, 67/03 and 51/06), new procedures have been introduced contributing to **better efficiency and coordination of the decision-making system**; the system for establishing strategic objectives of the Government is developed, their relation to the Budget and transfer into the Annual Work Programme of the Government. In addition, procedures for monitoring of the Annual Work Programme of the Government and the Government Conclusions were determined

A **functional analysis** was undertaken in all line ministries and in several state administration bodies, which served as basis for the preparation of the strategic plans of the ministries. The strategic planning process and the mechanisms for policy coordination are strengthened, as well. According to the Law on Budgets the budget beneficiaries are obliged to prepare a three year strategic plan, containing the programme and activities necessary for realisation of the strategic priorities of the Government along with the objectives and priorities of the budget beneficiary for the designated period. Within the framework of advancing the strategic planning process, the ministries prepared strategic plans for the 2006-2008 and 2007-2009, published on their web sites.

The necessary administrative capacities supporting strategic planning and budgeting process are developing within the ministries. Last year the General Secretariat carried out a number of training courses on strategic planning necessary for further building of the administrative capacities within the ministries and other state administration organs, and a new “Manual for Strategic Planning” was drafted.

Regarding the analysis and coordination of the policies, mechanisms for analysis and coordination of the policies are established, and Methodology for analysis and coordination of the policies (Official Gazette of the RM, No. 52/2006) is adopted identifying the key players in the system of policy-making and their obligations in the proceeding period. The basic principles of policy-making in accordance with the Methodology are as follows: harmonisation of the policies and acts with the strategic plans; fiscal feasibility of policies and acts; harmonisation of the policies and acts with the legislation of the EU; impact assessment; transparency in the preparation of the policies and acts; planned implementation and monitoring of the policies and acts.

For the purpose of strengthening the capacities of the ministries for drafting high quality **proposals, consultations and impact assessment**, the General Secretariat issued “Manual for Policy-Making” in January 2007. In 2006 the General Secretariat organised 2 training courses on enhancement of the operation of ministries in drafting laws and policy development, and in February 2007 it carried out training on application of the Manual for Policy-Making.

Regarding the **development of the information technology system**, the following has been achieved: the Concept for development and realisation of e-Government adopted; the National Strategy for development of the Information Society adopted; the application of ICT technology intensified within the state administration bodies; the Law on Electronic Communications adopted; the Agency for Electronic Communication established; a basic network, electronic mail and collaborative infrastructure, and configuration of the infrastructure introduced; and Government intranet portal and an internet portal.

Within the framework of the e-Government project, CSA has drafted Manual for Informative Communication Technologies for enhancing the ICT knowledge of the civil servants and as literature for taking the practical part of the professional and internship exam. The Manual (1500 copies) was distributed to all relevant institutions. Electronic version of the manual is published on the CSA web-site. The Secretariat for European Affairs supported by NORMAK and GOFRE prepared ICT Manual for Professionals in the Public Administration.

#### **SHORT-TERM PRIORITIES**

- Enhancing strategic management system in the state administration bodies
- Enhancing policy-making system in the state administration bodies
- Enhancing human resource management
- Operationalisation of the e-Government concept
- Strengthening the horizontal capacities for EU accession and implementation of the Stabilisation and Association Agreement
- Implementation of the National System for Training of Civil Servants
- Implementation of the Strategy for EU training of the civil servants and of the 2007 Operational Plan
- Strengthening the capacity of decentralised management of EU funds
- Enhancement of the database for NPAA monitoring
- Strengthening the administrative capacity (employment and appropriate professional development)

#### **MEDIUM-TERM PRIORITIES**

- Further strengthening of the cooperation with the Ministry of Finance due to integration of IPA instrument with the strategic planning and budgeting process
- Assessment of the requirements for human resource development and strengthening of the administrative capacity in the European integration process
- Further improvement the policy-making system in the state administration bodies
- Operationalisation of the e-Government concept
- Further enhancement of the EU training system
- Further strengthening of the capacities of decentralised management of EU funds.

## **4.2 STRENGTHENING THE ADMINISTRATIVE CAPACITIES AIMED AT EU ACCESSION**

This National Programme has identified the requirements for strengthening the administrative capacities necessary for the EU integration. They have been identified on the level of Chapter, responsible institution, organisational unit – in line with the required profiles, and suitable intensity:

Year	Employment
2007	713
2008	675
2009	680
2010	701
<b>TOTAL</b>	<b>2769</b>

Such projection facilitates actual planning of the required employments to be provided through:

- Transfer of employees from other organisational units and state administration bodies
- New employments in line with the required profiles.

Administrative support for the accession process and implementation of the Stabilisation and Association Agreement is strengthened on the horizontal level through:

- Transformation of the existing EU units into EU sectors in all ministries given below;

- Strengthening the Secretariat for European Affairs;
- Strengthening the Mission of the Republic of Macedonia within the European Communities in Brussels.

Regarding the requirements and phases for realisation of the public administration reform and the requirements in the European integration process, in September 2006 the SEA conducted a survey on training assessment needs within the frame of the European integration process, encompassing about 800 civil servants. Currently the TNA assessment is being applied to a wider circle of civil servants. The results will be the basis for the next Operational Plan for EU training.

EU training system will be further improved through assessment management for the training requirements, introduction of quality and evaluation control system as well as development of training modules. Special modules for training of working groups by NPAA Chapters have been envisaged to be provided at least twice a year.

The Programme for granting EU postgraduate scholarships (besides the funds from the Budget of the Republic of Macedonia, it is supported by donors from Netherlands, Germany) showing extraordinary results. Since 2003 a total number of 41 students have been granted scholarship, 17 of which are in the course of their studies. In addition to this measure, since 2007 funds from the Budget of the Republic of Macedonia have been supplied, managed also by the SEA, intended exclusively for the civil servants which continue their education in the sphere of EU/EI at national universities; hence being an additional incentive to EI process.

From 2007 to the mid-2009 the third phase of the development of the EU legislation database – NPAA base, will be carried out, foreseeing NPAA portal development and monitoring system development.

An electronic monitoring of the NPAA legal acts by ministry has been envisaged through the governmental procedure, parliamentary procedure to publication in the Official Gazette of the Republic of Macedonia.

## SECTOR FOR EU

### Unit for Negotiation and Integration

#### Scope of Activities:

- Accession negotiation support
- Planning, coordination of realisation and Monitoring of NPAA
- Implementation of the Stabilisation and Association Agreement between RM and EU
- Support of the work of the bodies within the SAA
- Support of electronic library of documents and acts connected with NPAA
- Support of NPAA Collaboration Environment (web)
- Determining the competences of EU measures, determining requirement for translation and revision of EU acts

### Unit for Implementation of IPA

#### Scope of Activities:

- IPA priorities and requirements planning arising from NPAA
- Programming of instruments for pre-accession support
- Drafting of projects and technical documentation
- Coordinating the preparation of projects
- Implementation, monitoring of implementation and evaluation of projects
- Monitoring of other foreign assistance and provision of complementarity

### Unit for Coordination, Monitoring and Evaluation

#### Scope of Activities:

- Coordination, monitoring and evaluation of the activities concerning EU accession
- Provision of consistency with the strategic planning, budget planning and realization system
- Building of institutions – planning, monitoring and evaluation
- Programming and realization of training related to EU
- Cooperation with the entities in the civil sector included in the accession process
- Preparation and distribution of information and reports

### Unit for Community Programmes

#### Scope of Activities:

- (In those Ministries where priority has been determined and no special body is necessary)
- Programming the participation in the Community programmes
  - Realisation of project

## 5 NATIONAL VERSION OF THE ACQUIS COMMUNAUTAIRE

### LEGAL FRAMEWORK

The European Union is unique among the world's international organisations in that it conducts its public business in the official languages of its Member States. Multilingualism has been an entrenched policy of the Union since the first day of its existence. Presently there are 23 equally authentic languages of the Treaties (including Irish).

Fundamental principles concerning the use of languages in the European Union are laid down in:

- Council Regulation No 1 of 1958 (4 original official languages, new languages added with every Act concerning the conditions for accession);
- Articles 21, 290 and 314 of the Treaty Establishing the European Community;
- Article 53 of the Treaty on the European Union;
- Articles 58 and 61 of the Act concerning the conditions for accession of the Czech Republic, the Republic of Estonia, the Republic of Cyprus, the Republic of Latvia, the Republic of Lithuania, the Republic of Hungary, the Republic of Malta, the Republic of Poland, the Republic of Slovenia and the Slovak Republic into the European Union and the adjustments to the Treaties on which the European Union is founded;
- Rules of Procedure of the EU institutions, as well as
- Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions for the New Framework Strategy for Multilingualism, COM (2005), Brussels, 22 November 2005.

Fundamental principles of the EU in relation to the language are that:

- the legislative and political documents adopted by the institutions are regularly translated into all official languages;
- interpreting is available for all official meetings at the ministerial level and all meetings related to decision-making;
- every Member of the European Parliament speaks in his mother tongue when being heard at the parliament sessions;
- every citizen of the Union may write to any of the EU institutions or bodies in one of the 23 official languages of the Treaties and have an answer in the same language.

With each new accession, the whole body of European Community law applying at the time - the *acquis* - has to be translated into the new country's language in advance of accession, so that the citizens would know what they were committing themselves to. And from the very first day of membership there has to be full-time translators into and out of the new language in the European institutions, so that business could be carried on in exactly the same way as for the existing members.

In the pre-accession period, the Candidate Country's government is responsible for having the EU legislation currently in force translated into their language, and has to set up a special unit to do this. The translating and revising of the *acquis* is probably the only task in the entire accession process that is exactly the same for every would-be Member State.

As the date of accession approaches, the responsibility shifts to the Commission and the Council, since they rather than the acceding countries, are responsible for publishing the authenticated versions of the EU legislation in the new languages in the form of Special Editions of the Official Journal.

The translation of the EU and national legal acts should be understood as an integral part of the whole harmonisation and implementation process relating to the integration into the EU. It is essential that legal acts be translated in the very course of transposing them into national laws. While submitting a new national draft law (already aligned with the *acquis*) for adoption, a statement of its compliance with the EU law must be enclosed, as well as the translation of the original EU act already revised by experts from line ministries concerned, linguists and lawyers. The translations of the Macedonian legal acts harmonised with the *acquis* should be available to the EU institutions in charge of monitoring the progress achieved in the approximation of the legislation.

The objectives and the function of the process for preparation of the Macedonian version of the *acquis communautaire* are encompassed with the:

- National Strategy for Integration of the Republic of Macedonia into the European Union 2004
- Strategic Plan of the Secretariat for European Affairs
- Strategic Plan for Preparation of the National Version of *acquis communautaire* and Translation of Macedonian Legislation, May 2006.

The process for preparation of the Macedonian version of the *acquis communautaire* is also laid down in detail with the:

- Technical Guidelines for the Process of Translation of the EU Legal Acts
- Manual for Translation of the EU Legal Acts
- Handbook for Translation of the Legislation of the Republic of Macedonia

- Manual for the Technical Committees

In the preparation phase are other manuals determining in detail the roles and functions of all participants in the process of preparation of the Macedonian version of *acquis communautaire*.

## **INSTITUTIONAL FRAMEWORK**

The preparation of the National Version of the *acquis communautaire* (EU law) is based on the outsourcing model with one central body, the Sector for Preparation of the National Version of the *Acquis Communautaire*, responsible for coordination and monitoring of the translation process.

In accordance with the Rulebook on Internal Organisation of the Secretariat for European Affairs, November 2005, the Sector for Preparation of the National Version of the *Acquis Communautaire* is responsible for implementation of the process for preparation of the Macedonian version of the *acquis communautaire*. The Sector for Preparation of the National Version of the *Acquis Communautaire* has two units: The Unit for Revision and Terminology responsible for determining the criteria for consistent translation of the EU legal acts, creating and developing terminology, implementing control of the process of translation of the EU legal acts as well as the Macedonian legislation.

The Unit for Translation Coordination is responsible for preparation of a plan for translation, monitoring and coordination of the translation process through centralised databases.

The Sector for Preparation of the National Version of *Acquis Communautaire* employs a total of 9 civil servants and 4 persons recruited on a contract basis.

Participants in the process of preparation of the National Version of the *acquis communautaire* and the translation of the Macedonian legislation, besides the staff in the Sector are: the translation agencies, technical committees responsible for expert and legal revision of the translations.

Currently, the Sector cooperates with 12 translation agencies with which three annual contracts have been concluded (2006-2008). They have 40 to 65 translators at their disposal. The translation agencies perform translation and proof reading of the legal acts, technical editing of the text to the act and provide a translation memory (Trados or Wordfast).

The Technical Committees are responsible for technical and legal revision of the translations to the EU legal acts. A number of 22 Technical Committees have been established responsible for different fields. Representatives from the ministry(-ies) are within the composition of the Technical Committees which are directly in charge of transposition of the EU legal acts from the respective area into the Macedonian legislation, as well as a lawyer from the appropriate ministry or from the Secretariat for Legislation. With the purpose of providing a multifold revision of the translation, professors and the public sector representatives are involved in the Technical Committee.

## **CURRENT SITUATION**

- **Preparation of the Macedonian version of *acquis communautaire* (EU law)**

The *acquis* presently comprises about 100 000 pages of the Official Journal of the European Union (OJ pages). It is a “moving target”, constantly being amended, modified, and multiplied. Over 5000 OJ pages are adopted per year on average.

A total of 2254 EU acts, i.e. 24825 OJ pages, have been translated by the end of 2006.

- **Translation of the Macedonian legislation**

Concerning the translation of the Macedonian legislation, approximately 243 translations of legal acts have been produced so far i.e. approximately 7500 pages. 31 laws have been revised so far or a total of 868 pages from the Official Gazette of the Republic of Macedonia.

- **Central databases**

Several databases have been created: Translation Register, translation database of Macedonian laws and bylaws in English, EU terminological database and a Web corpus.

The purpose of Translation Register is centralised monitoring and management of the workflow of the translation process and the translated documents, as well as keeping record of all the financial aspects. The Translation Register will enable efficient monitoring of the translation process in all its stages and provide the interface with the existing legal databases thus linking harmonisation and translation processes.

The EU terminological database and web corpus have been foreseen to be public. The database is being filled from Multiterm and from the translation memories created by the use of machine translation tools, such as Trados (Trados Translator's Workbench) and Wordfast.

Besides this, a bilingual parallel English-Macedonian corpus of translations assists in searching an entry in the context of the EU legal acts.

In this manner, consistency is provided in the translations by all included parties in the process.

Concerning terminology, several thematic glossaries in several EU languages have been published on the web page of the Secretariat for European Affairs. The glossaries presently contain approximately 37000 entries.

### SHORT-TERM PRIORITIES

- Improvement of the operation of the Translation Register which will provide precise records of the entire process;
- Procurement of appropriate IT equipment (improved infrastructure, purchase of servers);
- Elaboration of a training plan and its adoption by the Government of the Republic of Macedonia;
- Providing necessary consulting, organisation of seminars and workshops for all included participants in the process of preparation of the national version of *acquis*;
- Commencement of the project for translation of the primary legislation;
- Implementation of a procedure for employment of at least 4 persons in accordance with the Rulebook on Internal Organisation of the Secretariat for European Affairs;
- Setting up an improved system for expert and legal revision and its operationalisation.

### MEDIUM-TERM PRIORITIES

- Creation and operationalisation of terminology in the field of the European Union and a Web corpus;
- Commencement of the Eurovoc project in cooperation with the Assembly of the Republic of Macedonia;
- Enforcement of the dynamics of translation and revision of the number of pages from the *acquis*, as well as increasing the number of revised documents attached to CCVista;
- Maintenance of the terminology database and translation memories;
- Commencement of an information campaign relating to the process of preparation of the national version of *acquis* and the language requirements arising from the EU integration;
- Employment of the necessary number of persons according to the Rulebook on Internal Organisation of the Secretariat for European Affairs;
- Systematic training of translators and interpreters, lawyer-linguists for the future work in the national translation departments of the EU institutions, in collaboration with the national university and EU institutions.

### HUMAN RESOURCES

In 2006 the number of regular employees increased by two persons, i.e. the Sector employs a total of 13 persons, 9 of which are regularly employed and 4 are engaged on a contract basis.

### INSTITUTION BUILDING REQUIREMENTS

Budget number	Institution	2006	2007	2008	2009	2010	Total
19001	Secretariat for European Affairs – Sector for Preparation of the National Version of <i>Acquis</i> Coomunautaire	2	4	2	2	0	10
<b>Total</b>		<b>2</b>	<b>4</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>10</b>

### FOREIGN ASSISTANCE

Within the Norwegian assistance after the end of the first phase of the project for terminology in the field of European Union and a Web corpus, a second phase has been foreseen for preparation of the application. The project is foreseen to end in the second half of 2007.

Also, within the Norwegian assistance, the project has been foreseen to end in the first half of 2007: Post-implementation maintenance of the Translation Register.

Within the frames of the GTZ project – Deutsche Gesellschaft für Technische Zusammenarbeit, project: Consulting for the process of approximation to the European Union, additional funds have been provided in the Budget of the Secretariat for European Affairs for translation of the secondary legislation of the European Union.

Within the frames of the British Embassy, funds have been provided for implementation of the project: EU IPA (Instrument for Pre-accession Assistance) Glossary within which the purchase of one server is foreseen for the needs of the terminological database and printing of the Glossary for the Instrument for Pre-accession Assistance. The project has been foreseen to end in the first half of 2007.

## 6 PUBLIC INFORMATION AND COMMUNICATION

The Government of the Republic of Macedonia has wide support for EU membership in all social layers and among all social groups. All the political parties in Macedonia have entrenched the EU membership in their programmes. The business sector, the bulk of the non-governmental organisations and the associations of citizens support the EU membership. In continuity, the support of the citizens is over 87%. The last public opinion survey from January 2007 has shown 87.8% support. The increase of the knowledge of the population on EU related matters is evident in this survey, as a result of the increased communication with specific target groups and the ongoing projects of informing.

Being aware that the EU accession process will be realised through a long and complex process and governed by the policy of realistic optimism, entrenched in the “Strategy for Public Information and Communication 2006-2010”, the Government of the Republic of Macedonia launched a campaign on raising public awareness which was directed at informing the citizens on the positive and negative aspects of the EU membership as well as on the conditions – political, economic, legal and institutional – to be met by the country with the purpose of becoming an EU member.

In the direction of the commitments of the Republic of Macedonia for intensifying the process of accession of the country into the European Union, it is of crucial importance to retain the public support for the Government policy for EU membership. With the purpose of improving the public awareness for the process of EU accession, the following objectives have been entrenched in the Strategy for Public Information and Communication 2006-2010:

- Continuing the process of bringing the citizens of the Republic of Macedonia closer to the everyday dimensions of the EU functioning by increasing the awareness and understanding the policy and the integration process;
- Increasing local community awareness;
- Creating trust and conviction in the capacities of the Macedonian institutions included in the European integration process;
- Creating trust in the EU institutions;
- Ensuring that the specific sectors such as business, agricultural or the judicial sector understand the process and that they are fully included and prepared;
- Ensuring that the EU Member States are aware of the readiness of the Republic of Macedonia for integration and for gaining their support.

In order to realise these objectives the Government of the Republic of Macedonia has prepared projects whose realisation will assist not only in the informing but also in the appropriate education of the population and of several social groups on subjects related to the integration process as well as with the obligations arising from the membership. The following projects are reflected in the annual operational plans:

- **“Learning about the European Union”** – project that will contribute to increase the level of education, knowledge and raise the awareness the essence of the integration of the Republic of Macedonia in the EU among the young generations, as the precondition towards the implementation of the strategic determinations of the republic of Macedonia for integration in the Union;
- **“Social inclusion in Macedonia and needs for its synchronisation with the open method of coordination for the social inclusion of the European Union”** – project that will contribute to harmonised the Government strategy for synchronizing the efforts of all relevant factors in the country in the social area. The Government of the Republic of Macedonia, developing this approach, is aiming at defining fundamental problems in the area of social inclusion - social protection, pensions, health and long-range care, as well as transport, education, housing, access to and use of the new information technologies etc., in cooperation with all relevant factors in this significant area of development;
- **“Macedonian Pro-European Lobby Group”** – is a project that will contribute in engaging more actively of the republic of Macedonia into elimination of eventual negative consequences from fatigue caused by the enlargement of the European Union, resulting from different geo-political, geo-strategic and social-economic reasons which concerns the citizens of certain Member States of the Union. Therefore, it is necessary to establish a Macedonian pro-European lobby group which will be engaged in implementation of public campaign in the form of so called “public diplomacy”;
- **“EU Press Centre”** – is a project that will generate and mobilise a social energy in realizing the necessary requirements for faster closure of negotiations for full-fledged EU membership. That is also closely related to the need of creating conditions and opportunities for joint promotion and public information of the positive examples of our everyday experience. These reasons imposed a need for creating a public information system that would satisfy the needs of our citizens and institutions for public information, which temporarily and comprehensively would disseminate relevant information and knowledge on the courses and the progress in the process of EU;
- **“Macedonia and the European University Today”** – represents a realisation of a series of summer schools for young university staff from Macedonia, a project that will contribute for the European integration of the Macedonian higher education and scientific activity from an essential aspect. These activities aim to integrate the higher educational and the



scientific activity in Macedonia into the Bologna process also through revision of the curricula and adoption of academic traditions and scientific inheritance that are European according to its provenance. To this aim, formal and technical reforms alone are not sufficient, such as introducing ECTS, but also adopting thematic and problem frames of studies and values of organising the teaching that will reflect the Academy endeavouring to build the European Union;

- **“Going Local”** – the proposed Project should strengthen the consciousness of the key subjects at local level – mayors and councillors, that working locally they contribute for the development at national level, but to mobilise at the same time of any national, private and civil potential at local level for decision-making related to the European future of Macedonia at the local level;
- **“Centre for European Cultures”** – is a project that will contribute at intercultural and interdisciplinary promotion of the values of the European culture in Macedonia and of the Macedonian culture in Europe, which will contribute in overcoming the stereotypes that European nations have for each other;
- **“Macedonia Up-Close”** – is a project that will introduce youngsters from the Diaspora with the essential values of the Macedonian culture and its contemporary social situation that show exclusivity in their area of activities. Through realisation of this project activity it is anticipated to open a long-term process of possible association of these young people as a lobby group, which would operate for the benefits of its country of origin;
- **“MK-EU Info Centre”** – is an informative premises in the centre of the Capital of Republic of Macedonia, where every citizen could obtain information regarding the EU, brochures, books, etc.