



Република Северна Македонија  
Влада на Република Северна Македонија

# NATIONAL PROGRAMME FOR ADOPTION OF THE EUROPEAN UNION ACQUIS (NPAA) 2021 - 2025



СЕКРЕТАРИЈАТ  
ЗА ЕВРОПСКИ ПРАШАЊА









**June 2021**

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# INTRODUCTION



# OBJECTIVE AND STRUCTURE OF THE NPAA

**The National Programme for Adoption of the European Union *acquis* (NPAA)** is the most complex and one of the most comprehensive strategic and programme documents of North Macedonia to guide the process of the European integration. It defines the priorities, the strategies, the dynamics and the resources necessary for harmonisation of the national legislation with the EU *acquis*, as well as the activities for adaptation of the national institutions to the European Union's administrative structures. The NPAA's key goal is to outline the national trajectory to our membership in the European Union, thus reflecting the political commitment and the determination for serious reforms.

The legal basis for preparation of the National Programme for Adoption of the European Union *acquis* is derived from Article 68 of the Stabilisation and Association Agreement (2001), the conclusions of the European Council of 19 and 20 June 2003 in Thessaloniki that introduce the principle of partnership with the countries from the Western Balkans, with a perspective for their membership in the European Union; Regulation 533/2004 establishing the rules of the Partnership (Accession Partnership for candidate countries and European Partnership for potential candidate countries) within the Stabilisation and Association Process; Council Decision 2004/518 on European Partnership with North Macedonia, replaced by the Council Decision 2006 (57) and also replaced by the Decision on Accession Partnership with the Republic of North Macedonia 80/32 from 2008. These decisions are valid and are an integral part of the Stabilisation and Association Process.

The Accession Partnership sets out the **principles, priorities and conditions** under which the reform processes and the harmonisation with the policies and legislation of the European Union should be directed and intensified. Item 8 of the Partnership Preamble states that the country is expected to develop a plan, with a time frame and concrete measures for further integration into the European Union. The implementation is monitored through the Stabilisation and Association Process mechanisms and through the Stabilisation and Association bodies, whereas the performance and progress assessments are presented through the annual reports of the European Commission.

The first National Programme for Adoption of the European



Union *acquis* was prepared and adopted by the Government in 2005/2006, and since then, based on the European Commission Reports on the status and progress of the country, the NPAA is subject to revision. With two decades of uncertainty and in constant anticipation of the start of the accession negotiations, the NPAA had an extremely important role in maintaining the positive tension in the process and ensuring institutional involvement, even without the start of negotiations. The most recent revision of the NPAA was made in 2017.

This revision of the NPAA is not standard revision and differs significantly from all previous versions – *first*, because in March 2020 the European Union Member States decided to open the accession negotiations, which is expected to make the country more ambitious in the dynamics, but the country will also set better strategically defined goals; - *second*, because, in the future, the process will move according to the New Methodology rules for enhanced accession negotiations with stronger political responsibility and significantly increased interest by the Member States; and *third*, because this is the first time the NPAA has been completely restructured under the new cluster structure, not only technically but also substantially.

The key documents that set out the basis for defining the reform priorities are the annual reports of the European Commission, the commitments from the meetings of the Stabilisation and Association Bodies, the reports from the peer review missions and the reports from other international organisations. This NPAA especially takes into account the legal acts of the EU presented in 2018 and 2019 at the explanatory meetings for each chapter, which are the basis for our preparation for the bilateral screening and for building the future negotiating positions.

This revision of the NPAA also includes a brief overview of the outcomes of the **SAA implementation** over the past **twenty years**, and the reforms, which are also incorporated in the NPAA priorities, thus ensuring **continuity** in the accession process.

**The NPAA, as a Government document**, has clearly defined **strategic and reform priorities**, which demonstrate the Government's political commitment and dedication, but also undertakes the responsibility for mobilising all capacities and resources needed to implement the reforms in the **accession process and sustainable development** of the country.

## 0.1.

In coordination with the Secretariat for European Affairs (SEA), the NPAA has been prepared with active participation and cooperation of around **800** civil servants, experts from all relevant institutions involved in the European integration process. The NPAA is also a **common vision of the administration**, which carries the **greatest burden of the process**, which plans, but also implements the priorities, measures and activities that have been set out.

An administration of around 150 institutions, with about 1,500 experts, faces **the challenge of thoroughly analysing** around 15,000 EU acts and harmonising around 2,000 national acts, but also planning resources, building structures, systems and capacities for proper implementation, and to effectively implement the harmonised legislation. The SEA provides all the methodological guidelines, tools and overall assistance for this **extremely complex task** of the administration, which will continue in the forthcoming period.

Therefore, the NPAA is not, cannot be, nor should it be, a perfect document, but it is a **"living" document**, which will be revised and upgraded in the coming period, depending on the degree of reforms' implementation and the dynamics of the accession process and negotiations.

The NPAA serves not only as a plan for coordinating reforms and informing the European Commission, but also as transparent information on the reforms planned, also intended for the public and for the economic operators in planning of their priorities.

Following the announcement of the new Negotiation Methodology, the **NPAA has been appropriately adapted**, whereas the narrative part has been conceptually reorganised by grouping the chapters into six thematic clusters – strategic areas:

Cluster 1: **FUNDAMENTALS (DEMOCRACY AND GOOD GOVERNANCE),**

Cluster 2: **INTERNAL MARKET,**

Cluster 3: **COMPETITIVENESS AND INCLUSIVE GROWTH,**

Cluster 4: **GREEN AGENDA AND SUSTAINABLE CONNECTIVITY,**

Cluster 5: **RESOURCES, AGRICULTURE AND COHESION, AND**

Cluster 6: **EXTERNAL RELATIONS.**

Methodologically and technically, **the NPAA Strategic Framework** is aligned with the strategic priorities, the Government Programme for Work and the Annual Programme for Work, the Programme for Economic Reform (PER), the Medium Term Budget Framework, the Action 21, Agenda: Europe at Home, the Action Plan for Combating Corruption, the IPA 3 thematic windows, the UN Sustainable Development Goals from the Agenda 2030 and other relevant sectoral strategic documents.

An **introductory section** is provided for each **Cluster**, listing the key strategic documents and priorities, and links to the Government Strategic Priorities (8), PER (20), IPA 3 (5 strategic windows and thematic priorities), and UN Sustainable Development Goals (17), as well as projected budget funds and donor assistance (including loans).

The narrative section provides an overview of the achievements in the previous year and an overview of the short-term and medium-term priorities, as well as programmes and projects to support the priorities.

The internal structure of the document, for each **chapter/ area**, generally contains the following parts:

- Findings and recommendations from the last EC Report
- Brief summary of the priorities for the following period
- Current situation (achievements compared to the previous period)
- Short-term and medium-term priorities (in some chapters even long-term priorities)
- Legal framework (strategic framework and harmonisation of the legal framework)
- Institutional framework (capacity building and implementation)
- Programmes and projects (budget programs, IPA and other foreign assistance)

The NPAA contains the following standard annexes:

- The matrix of objectives and activities envisaged by NPAA 2021-2025, as well as carrier institutions, the participating institutions and the deadlines for implementation;
- Annex 1 - Overview of the national legal acts that are subject to harmonisation with the EU legislation (with the EU measures and the international standards), including indicative deadlines for adoption, competent institutions and the status of the procedure for their adoption;
- Annex 2 – Working post distribution and needs for strengthening the administrative capacities;
- Annex 3 - Projected budget funds;
- Annex 4 - Instrument for Pre-Accession Assistance (IPA) and other foreign assistance, including TAIEX trainings. This Annex also shows the link between the strategic areas of the donor assistance, the Clusters, the IPA 3 strategic windows and the NPAA Chapters.

In line with its commitment for transparency and inclusiveness in the policy making process, the NPAA has also been subjected to extensive consultations with the civil society organisations.

The NPAA will be presented in, and monitored by the Assembly,



in accordance with the established practice of regularly informing the Committee for the European Affairs and the National Council for European Integration.

Monitoring and reporting on the implementation of the planned activities will be done through the existing coordination mechanism of the European coordination process, using the integrated NPAA platform which is in the process of upgrade of the existing databases and developing functionalities and interoperability aimed to support the process of accession and negotiations.

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# OVERVIEW OF THE SAA IMPLEMENTATION RESULTS

The signing of the Stabilisation and Association Agreement (SAA) is of exceptional importance for the development of the relations between the Republic of North Macedonia and the European Union, which introduced a **new quality** in the mutual relations and envisaged to achieve an association within maximum of 10 years, in two consecutive stages. Although this time perspective has not been achieved, the SAA remains the **only legal framework** governing the relations between the two parties and contributes to the political and economic stability in the country, the consolidation of democracy and the rule of law. The SAA established a formal framework for political dialogue, at bilateral and regional level, a free trade area with the EU, and also provided economic, social, educational, scientific, technological, energy related and cultural cooperation as well as cooperation in the field of environment. SSA remains in force until the Republic of North Macedonia accedes to the European Union.

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This year marks the **20th anniversary** since the signing of the SAA and 17 years since its entry into force, with the country continuously fulfilling its commitments. On this occasion, the Secretariat for European Affairs prepared a brief overview of the key areas and results in the implementation of the SAA, which are also **incorporated in the reform priorities** in the **cluster chapters of the NPAA** for the following period:

**CHAPTER I** of the Stabilisation and Association Agreement regulates the **general principles**, such as respect for the democratic principles and human rights, respect for the international peace and stability and building of good neighbourly relations. The Republic of North Macedonia continuously and consistently respects and applies these principles as key pillars of any democratic society and in accordance with the commitment to membership in the Euro-Atlantic structures. Significant efforts are being made to meet the obligations from the international conventions, to improve the legislative framework for protection of human rights and to strengthen the institutions competent in this area. In the context of contributing to the maintenance of international peace and stability in the region, North Macedonia has made an **exceptional step** forward in closing the open bilateral disputes and deepening of the good neighbourly relations.

**CHAPTER II** is focused on aspects related to establishment and implementation of **political dialogue** between the parties

in order to ensure increased convergence of the positions of the parties on international issues, but also in the context of regional cooperation, as well as on issues in the field of European security and stability, including areas covered by the common foreign and security policy of the European Union. The country maintains a regular political dialogue with the EU on both bilateral and multilateral level. The political dialogue between the two parties is taking place at an exceptionally high level, including through meetings of the Stabilisation and Association Council, the Joint Parliamentary Committee and the Committee of the Regions. Representatives of the country participate in informal meetings organised by the EU on various topics. North Macedonia has a high level of compliance (**over 93%**) with the positions of the EU in the area of common foreign and security policy.

**CHAPTER III** includes the obligations for promotion of the **regional cooperation** with the countries from the process of stabilisation and association, by signing cooperation agreements with the countries from the region and by participating in regional initiatives. North Macedonia remains fully committed to promoting **bilateral cooperation** with the countries in the region and actively participates in the **regional initiatives**. The country participates in the South East European Cooperation Process (SEECP), the Regional Cooperation Council (RCC), the Central European Initiative (CEI), the Adriatic-Ionian Initiative (AII) and in the EU Strategy for the Adriatic Ionian Region (EUSAIR), the Fund for the Western Balkans (FWB) and the Office for Regional Youth Cooperation (RICO). The participation in the Secretariat of the Network of Associations of Local Authorities of SEE (NALAS) continues, and the same goes for the participation in the Standing Working Group on Regional Rural Development (SWG RRD), in the SEE Health Network Secretariat and in MARRI – all based in Skopje. At the same time, North Macedonia has the status of observer in the Danube Process. In November 2020, North Macedonia officially became a member of the Organisation of the Black Sea Economic Cooperation (BSEC).

**The Berlin Process** proved to be a very effective mechanism for deepening of the regional cooperation. North Macedonia participated in all summits, with the most recent one held in Sofia in November 2020, where the country co-chaired with Bulgaria. As part of the efforts for closer regional integration, activities are being implemented to facilitate the free movement of goods, services, persons and capital in the region. The country is also implementing activities related to the **Digital Agenda**, and as of **1 July 2021**, the Agreement on

the **abolition of roaming charges in the region** began with its implementation.

The relations with the **Republic of Albania** are characterised by continuity in the cooperation and constructive dialogue. In February 2021, the Ministry of Foreign Affairs of North Macedonia paid a visit to Albania. During the meetings, a number of topics of mutual interest were opened, with a focus on the NATO cooperation, the European perspective, regional initiatives and promotion of the cooperation within other sectoral policies. The need for implementation of projects in relation to infrastructure and energy connectivity was underlined, and also the intensifying of cooperation in other areas, such as trade, tourism, culture, education. Special focus was placed on the Initiative 8, as a valuable forum for promotion of trilateral cooperation between Bulgaria, North Macedonia and Albania. The country is committed to the implementation of the priorities of mutual interest for both countries, such as: more efficient use of European funds, joint participation in projects under the IPA 2 component for cross-border cooperation, deepening of the economic cooperation, promotion of economic potentials and implementation of infrastructure projects of relevance for both countries and the region. In that regard, it is planned to hold a Second Joint Session of the Governments of the two countries, regular political consultations between the two Ministries of Foreign Affairs and expansion of the contractual framework. It is expected that the Joint Committee for Economic Cooperation will be reactivated and a meeting of the Joint Committee for Consultations in the field of European integration between the Foreign Ministries of the two countries will be held, in accordance with the obligations from the SAA.

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The relations with the **Republic of Kosovo** are characterised by a constructive and open dialogue. It is planned the First Joint Session of the two Governments to be held, following political consultations between the two Ministries of Foreign Affairs. There is a mutual interest for joint appearance before the EU and international funds with joint projects for obtaining financial assistance for infrastructure connectivity projects. It is also planned the Fourth Session of the Joint Committee for Economic Cooperation to be held as well as to expand the contractual framework with new agreements and documents.

The signing of the agreement for resolving of the name issue created all preconditions for full normalisation of the relations with the **Hellenic Republic**. In the past period, the overall bilateral cooperation has been significantly intensified, both within the regional initiatives and in the international organisations. This year, talks with the Greek side also intensified in order to establish a framework for the next activities, in accordance with

the Action Plan for Cooperation and Implementation of the Prespa Agreement. There are also talks, in addition to the topics for intensification and promotion of the economic cooperation, through greater cooperation of the chambers of commerce, cooperation in the field of infrastructure and facilitations of the movement of citizens across the borders, including energy, further deepening of the political dialogue, friendship and good neighbourly relations – as policies for building a common European future. Three Memoranda of Understanding were signed between the two countries, for cooperation in the field of investment and foreign trade between the companies "Greece SA" and "Invest North Macedonia", for cooperation between the Ministries of Foreign Affairs in education of diplomats and for cooperation in the field of civil protection. North Macedonia has expressed interest in gas connection with Greece – it has been involved in the construction of a liquefied natural gas terminal near Alexandroupolis (Greece), as a new independent entry point for natural gas supply to the countries from South-Eastern Europe. The cooperation, within the Memorandum of Cooperation, for acceleration of the process of integration of the Republic of North Macedonia in the European Union, which is implemented between the Ministry of Foreign Affairs of Greece and the Secretariat for European Affairs, has started. The plan is to hold frequent meetings of the Joint Interdisciplinary Committee of experts on historical, archaeological and educational issues, the Committee for Business Dialogue and the International Group of Experts, as well as to hold a second session of the Joint Cooperation Council.

The relations with the **Republic of Bulgaria** are focused on further promotion of the political dialogue and on the sectoral and contractual cooperation on issues of bilateral and regional interest. The signing of the Treaty of Friendship, Good Neighbourliness and Cooperation (DPDS) in 2017 was a significant positive step towards establishing a new and positive dynamic in the bilateral relations. Despite the newly occurred situation in the bilateral relations with Bulgaria's opposition to give green light for adoption of the negotiating framework with North Macedonia and the holding of the First Intergovernmental Conference on accession negotiations, the focus of the cooperation remains on continuing of the efforts to overcome the differences and to intensify the practical sectoral cooperation in all areas of common interest. The historical commission established in July 2018 has held 12 official and 2 informal meetings so far, which is an enhanced dynamic, compared to the experiences of such similar joint commissions of other countries (for example, German-Polish Commission, German-French Commission, etc.). Activities for rehabilitation, reconstruction and construction of road sections along Corridor 8 have been intensified as well. Recently, a re-broadcasting of the national television in both countries was introduced, and a package of 2-3 additional privately owned Bulgarian televisions



was introduced in the in T-HomeMax TV package. There are correspondence offices of Macedonian Information Agency (MIA) in Sofia and of the Bulgarian Telegraphic Agency in Skopje.

North Macedonia is interested in finding mutually acceptable solutions for unlocking the accession process, based on European values and mutual respect.

Bilateral relations and cooperation with the **Republic of Serbia** are good and on the rise. The political dialogue is going uninterrupted. The readiness for realisation of the Third Joint Session of the two governments was reaffirmed, as well as the readiness for further development and intensification of the relations and the overall cooperation between the two countries in the areas of economy, infrastructure, energy, regional cooperation and EU integrations. At the expert level, the dialogue and cooperation have a continuity that is present in both the regional and multilateral cooperation. Signing of new bilateral agreements in order to strengthen the cooperation in all areas of mutual interest is planned at the Third Intergovernmental Session. It is expected in the next period that, in terms of bilateral and regional cooperation, emphasis should be placed on realisation of infrastructure projects as well as strengthening of the cross-border cooperation. The Republic of North Macedonia and the Republic of Serbia signed an Agreement and started conducting joint controls at the border crossing Tabanovce-Preshevo.

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The bilateral relations with the **Republic of Turkey** are developing in the spirit of friendship and partnership. The cooperation is dynamic at all levels, which is expected to be further deepened with the membership of North Macedonia in NATO. The two countries express mutual support for the aspirations for full membership in the European Union. Solid cooperation has been established in all areas of mutual interest, with strong efforts for its further expansion.

The excellent and friendly bilateral relations between North Macedonia and **Montenegro** have been further enriched in the past two years, with frequent visits at high and highest level. A Joint Session of the Government of North Macedonia and the Government of Montenegro was held, as well as Business Forum in co-organisation and participation of the chambers of commerce of the two countries, which affirmed and supported the B2G cooperation at the highest level, where 4 international documents were signed.

The bilateral relations with **Bosnia and Herzegovina** are characterised by continuous political dialogue and constructive cooperation in various areas, and they are expected to continue in the coming period. Cooperation in the field of EU integration takes place within the framework of the Cooperation Agreement

between the Government of the Republic of North Macedonia and the Council of Ministers of Bosnia and Herzegovina in the EU accession process. North Macedonia fully supports the NATO aspirations of Bosnia and Herzegovina. The two countries have good regional and multilateral cooperation and there is a mutual interest in intensifying that cooperation. A procedure to open cultural and information centres in Skopje and Sarajevo is underway. There is a mutual interest for further deepening of the cooperation, especially in the field of economy, for which there is space as well as untapped opportunities from both sides, including reaffirmation of the initiative for introduction of the Skopje - Podgorica – Sarajevo airline, organisation of Business Forum, etc. There are also mutual efforts for further promotion of the cooperation in the field of internal affairs, by signing a Memorandum of Cooperation between the line Ministries and establishment of operational working group for promotion of the bilateral cooperation in the areas of defence, education and culture.

**CHAPTER IV** of the SAA pertains to the **free movement of goods**, by regulating the conditions for establishment of a **free trade zone** between the parties and gradual abolition of the customs tariffs on industrial products, trade in agricultural and fishery products, wine, but also provisions for protection of the domestic industry from excessive import of certain products. Liberalisation of the import of industrial products in the first phase of the implementation of the SAA in the area of the Customs Union was achieved in this transitional period. All obligations applicable to iron and steel products have been successfully realised.

All duties on import into the European Union for **agricultural and fishery products** originating from the Republic of North Macedonia are abolished, except for the live cattle, beef - fresh or chilled, beef - frozen and wine, and for vegetables and fruits the customs rate is abolished, but not the specific duty. Since 2011, with the adoption of the relevant regulations for export of vegetables and fruits originating from North Macedonia in the Union, no specific customs duty is imposed (this duty is 0%). Special quotas for baby beef are provided. In 2006, the Additional Protocol, which is an integral part of the SAA, established a quota for export of sugar originating from the Republic of North Macedonia to the European Union.

The imports into the Republic of North Macedonia of agricultural and fishery products originating from the European Union are defined in several annexes, and the customs rates for certain products are progressively reduced (for some products, the customs rates were abolished in 2011 and for some goods they are 50%, 70% or 100% of the regular customs rate).

**Wine** trade between the two parties is regulated by the Additional

Protocol, which adjusts the trade aspects of the SAA in order to take into account the outcome of the negotiations between the parties on reciprocal preferential concessions for certain wines, reciprocal recognition, protection and control of the wine names, and reciprocal recognition, protection and control of labels for alcoholic beverages and flavoured beverages. Quotas for export of bottled wine and export of bulk wine have also been set out, when it comes to export of wine originating from the Republic of North Macedonia to the European Union.

An integral part of the Stabilisation and Association Agreement is the **Protocol on the Origin of Goods**. This Protocol defines the origin rules that need to be met in order for the products to acquire the preferential origin status. In the past period, the provisions of the Protocol on Origin have been amended several times, taking into account the enlargement of the European Union with new members in 2004, 2007 and 2013, and since the initial bilateral cumulation, a **diagonal cumulation of origin of goods** was gradually introduced (the application of diagonal cumulation between the European Union, the Republic of Turkey and the Republic of North Macedonia started for the first time on 1 July 2009).

The Regional Convention on Pan-Euro-Mediterranean Preferential Rules of Origin (PEM Convention), as a system of pan-Euro-Mediterranean cumulation of origin, allows the application of diagonal cumulation between EU countries, EFTA countries, CEFTA countries, Turkey, the signatory countries of the Barcelona Declaration and the Faroe Islands. In all free trade agreements between these parties, the cumulation was applied through identical protocols of origin. Following the introduction of the PEM Convention, these protocols of origin were replaced by a reference to the application of the Regional Convention on Pan-Euro-Mediterranean Preferential Rules of Origin (PEM Convention). The aim was/is to facilitate the ongoing revision of the rules of origin of PAM, with the help of a single convention, in order to modernise and simplify them.

The Republic of North Macedonia officially acceded to the PEM Convention in 2012, and its implementation began after the completion of the internal ratification procedure in 2015.

The **PEM Convention** is the basis for application of the **preferential rules** of origin in the trade between the Republic of North Macedonia and the other countries with which the country implements Free Trade Agreements. Following the receipt of the Draft Decision on Amendment of Protocol 4 from the SAA, North Macedonia notified the EU that this Decision was acceptable. The text of the Draft Decision was harmonised between the two

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parties, the final verification of the translation is underway, which will be followed by a procedure for signing and ratification by both parties. It will start to be applied from **1 September 2021**. At the same time, a procedure was initiated to amend all other free trade agreements in order to apply the revised rules of the PEM Convention, as the SAA is changing as well (except EFTA and Ukraine, and CEFTA and Turkey).

**CHAPTER V** regulates the obligations for **liberalisation** of the **movement of workers, establishment and provision of services and movement of capital**, which are also closely related to the transition into the **second phase of the SAA** which, among other things, provides for application of the **principle of reciprocity**. The essence of the EU *acquis* in this area is to ensure smooth performance of the economic activities of companies and the self-employed individuals throughout the EU by applying equal rules. "Companies or firms" mean companies or firms established under civil or business law, including associations and other legal entities governed by public or private law, with the exception of non-profit organisations. The term "service" refers to any economic activity usually performed for the purpose of obtaining compensation. The services especially include activities of industrial and commercial (trade) nature, activities of craftsmen and activities of regulated professions.

In the first phase, complete freedom of movement of goods was ensured, and activities were carried out towards relation to other freedoms of movement. In this sense, several laws have been adopted and there is a systematic additional harmonisation of other laws, such as the Law on Services, the Law on Recognition of Professional Qualifications, the Law on Companies, the establishment of a National Service Portal, the postal services are fully liberalised, the phases of capital-financial liberalisation are being planned, etc. Although the formal transition to the second phase of the SAA implementation began in 2019, North Macedonia has achieved a **high degree of fulfilment of the obligations**, although there is no systemic and other information on the implementation of the obligations by the Union.

**CHAPTER VI** provides for obligation to **harmonise the national legislation with the EU *acquis*** and its implementation, especially in the internal market chapters, with a special focus on competition, intellectual, industrial and commercial property, public procurement, standardisation, accreditation and conformity assessment. In accordance with the obligation deriving from **Article 68 of the SAA**, a **National Programme for the Adoption of the European Union *acquis* (NPAA)** shall be prepared for the purpose of gradual harmonisation in all other



areas of "mutual benefits", as well as with the Regulations and Decisions on Accession Partnership.

As a result of the long-term implementation of the SAA, the country has an exceptionally satisfactory level of compliance with the relevant EU *acquis* of **40-45%**, if compared with the countries that are already negotiating (and in some areas there is even higher level of compliance).

**CHAPTER VII** provides for enhanced cooperation in the field of **rule of law**, in particular through the strengthening of the institutions and the rule of law, strengthening of the judicial institutions, cooperation in the visa policy, border control, asylum and migration, fight against crime and illicit drug trafficking, fight against terrorism, anti-money laundering, anti-corruption, and public administration reform.

The country has made particularly **significant progress** in the establishment of legal, strategic and institutional framework for independence of the judiciary as well as intensified fight against corruption and organised crime. Significant efforts have been made in the recent years to improve the legal framework that enables professionalism, efficiency and independence of the judicial institutions. The capacities of the law enforcement bodies have been strengthened and we are continuously working on improving the results in dealing with cases of corruption and organised crime, especially in high-profile cases. The country respects the obligations deriving from readmission agreements, and regularly undertakes activities in order to prevent attempts of illegal migration and to monitor the migration flows. During the migrant crisis 2015-2016, North Macedonia played a key role and proved to be a credible partner of the EU in closing the so-called 'West Balkan route'.

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**CHAPTER VIII** regulates the aspects of **cooperation policies** and strengthening of the **economic cooperation** between North Macedonia and the Union, in order to strengthen the economic relations and support the economic development of the country, as well as cooperation with the neighbours, including the member states, as a contribution to the regional stability.

The **Agreement on Amendment of and Accession to the Central European Free Trade Agreement (CEFTA)** has been implemented since 2007, and the country has continuously pursued a trade policy that is in line with the international commitments deriving from the WTO membership, from the Stabilisation and Association Agreement, CEFTA and other Free Trade Agreements committing to a preferential trade regime.

In order to create economic policies, a **Programme for Economic**

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**Reform** is being prepared as a strategic document in the economic dialogue with the EU. This document is a preparation for participation in the process of economic and fiscal supervision of the EU member states, i.e., for inclusion in the process of the European semester for coordination of economic policies in the EU, and is prepared in accordance with the conclusions of the Common Economic and Financial Dialogue. Within the mechanism for social and economic dialogue that focuses on priorities and reforms in the field of labour market, employment, education and social policy, the **Employment and Social Policy Reform Programme** is being prepared which focuses on three priority areas: labour market and employment, human capital and skills and social inclusion and social protection. The country is also preparing a **Smart Specialisation Strategy (SZ)** as a comprehensive model for sustainable economic growth, based on the capacities of the industry, science and society, which should be linked to existing strategies for competitiveness and innovation and with the strategy for research and development.

The SAA envisages **cooperation in a number of areas**, such as banking, insurance, industrial cooperation, small and medium-sized enterprises, tourism, customs and taxes; social policies and the platform for poverty, equal opportunities, protection against discrimination, gender equality; cooperation in education, science and research and technological development, culture, audio-visual policy, electronic communications and information society, etc.

North Macedonia is currently fulfilling the obligations deriving from the **Energy Community** and the **Transport Community** and is making significant efforts to improve the **energy efficiency** and the use of **renewable energy sources**, in **all areas of environment** in order to achieve the objectives of the **Green Agenda**, the **sustainable development**, as well as **balanced regional and local sustainable development**. In this context, the Government also started the first phase of preparation of the **National Development Strategy (2021-2041)**.

**CHAPTER IX** refers to the possibilities of using non-repayable **financial assistance** and loans from the Union that will be used to implement the reforms related to the European integration process, especially in the context of the harmonisation process, but also the granting of macro-financial assistance in exceptional situations.

The assistance that the country continuously receives from the Union is particularly important for implementation of the reforms from the EU agenda. The country was using funds from the CARDS and PHARE programmes, and subsequently the assistance provided through the Instrument for Pre-Accession Assistance (IPA). In

parallel with the use of funds, efforts are being made to build the administrative capacities of the IPA structure. In anticipation of **IPA 3**, the **Strategic Response** at the level of thematic priority and Action Fiches for the annual action programmes for 2021 and 2022 were prepared.

The country also actively participates in the **programmes and agencies of the Union**, the Erasmus+ programme, Europe for Citizens, the EU Employment and Social Innovation Programme (EaSI), the Civil Protection Mechanism, the European Union Fundamental Rights Agency, COSME, Horizon 2020, Customs 2020, Fiscalis and Creative Europe.

During the COVID-19 pandemic, the EU provided EUR 160 million in macro-financial assistance.

**CHAPTER X** defines the bodies established to monitor the **implementation of the SAA**, as follows:

### **SAA COUNCIL**

This is the highest political body established by the Stabilisation and Association Agreement which is held once a year. The Council is chaired by the Minister of Foreign Affairs on behalf of North Macedonia and from the European Union it is chaired by the Minister of Foreign Affairs of the country that holds the Presidency. The Commission is represented by the High Representative for Common Foreign and Security Policy, the Enlargement Commissioner or his/her Deputy, and a representative of the forthcoming Presidency. The Council discusses the most important political and regional issues through political dialogue and is informed about the situation and plans of the Union.

### **STABILISATION AND ASSOCIATION COMMITTEE (SAC)**

It is held once a year, alternately in Skopje and Brussels. It is chaired by co-chairs from the Republic of North Macedonia and the European Commission. It is an operational forum that reviews the achievements in all areas and provides further guidance on the reforms needed.

### **SAC SUBCOMMITTEES**

There are seven subcommittees covering SAA areas and representing bodies or operational forums on expert level that discuss the results achieved in the past year and the plans for next year. The role of the subcommittees is to present the achievements in fulfilling the obligations of the Stabilisation and Association Agreement. They are a basic corrective and a way of monitoring of the accession process. At the seventh meeting of

the Stabilisation and Association Committee, a Special Group for Public Administration Reform was established in order to monitor the progress achieved in the public administration reform process.

So far, 17 cycles of meetings have been successfully held, including meetings that have been successfully realised during the pandemic.

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# CLUSTER 1



# FUNDAMENTALS



The **Fundamentals Cluster** covers short-term and medium-term reform priorities in chapters and areas such as democratic institutions, rule of law, public administration reform and economic criteria, public procurement, financial control and statistics. These are areas that are closely related to the political criteria, the functioning of democratic institutions and the rule of law, professional administration, as well as economic criteria, good economic governance, public financial management and fight against corruption.

According to the new EU methodology for accession negotiations, this cluster has a key role in the accession process because it is **opened first and closed last**, and the progress in the reforms in this cluster will affect the **dynamics of opening and closing of the remaining clusters**.

In **all chapters and areas in this cluster, the existing strategies and action plans** are implemented or upgraded that provide **continuity and directions** for the next **medium and long term period**, including: Strategy for Judicial Sector Reform, Strategy for Prevention of Corruption and Conflict of Interest, Strategy for Public Administration Reform, Strategy for Public Finance Management, Strategy for Regional Development and Local Sustainable Development, Strategy for Cooperation with the Civil Sector, Strategy and Reforms in the Security Sector, Prison System, Migration Policy, Fight Against Organised Crime, Strategy on Drugs, Strategy for Roma, Strategy for Gender Equality, Strategy for Equality and Non-Discrimination, Strategy for Protection of Children, Strategy for Deinstitutionalisation, Strategy for Smart Specialisation and many others, as well as Strategy for Development of the Public Procurement System, the Policies for Internal Control System, and further development of the statistical systems, which are embedded in all chapters and clusters.

In order to provide **greater focus on the reforms** in certain priority areas, the Government has also prepared an Action Plan For Fight Against Corruption - **Agenda 21, Agenda EU at Home**, focusing on electoral reform, judiciary, combating crime and corruption, fundamental human rights, reforms in the media, economic governance, public administration reform, including the field of environment and climate change. The Government is also taking a series of initiatives to achieve the **Sustainable Development Goals of the UN Agenda 2030** and the **EU Green Agenda**. The strategic guidelines of the Government for the next period are fully in line with EU policies and they clearly demonstrate the **reform capacity** of the Government in the accession process.

The Fundamentals cluster is linked to all other clusters/chapters, where about **130 direct links** in and between cluster chapters were



identified. The **fight against corruption** is horizontally linked in all cluster chapters/sectors.

The priorities of the Fundamentals cluster are related to the **strategic priorities** of the Government regarding the rule of law, the independence of the judiciary, the non-selective fight against crime and corruption, creation of a modern and efficient administration and successful conduct of the accession negotiations.

In the field of **economic governance**, the cluster is linked to the strategic priorities of the Government in terms of accelerated and sustainable economic growth, higher standards and quality of life, dealing with the COVID-19 crisis, quality education accessible to all and the Green Agenda. A key strategic document in this area is the **Economic Development Programme (EDP)**.

The Government has also prepared an **Intervention Plan for Investments 2021-2027**, and the first phase of preparation of the **National Development Strategy 2021-2041** has started, which will reflect the **long-term consensus** on the **priorities of the country**, and a real partnership and joint struggle of all in dealing with the challenges, in order to ensure a dignified, inclusive, green, and sustainable development, but also undertaking of **responsibility of the current generations** for the legacy that we leave to the **future generations**.

In terms of the Instrument for Pre-Accession Assistance (**IPA-3**), the reforms are related to the strategic window SW1: Rule of Law, Fundamental Rights, Democracy, SW2: Good Governance, *acquis*, good neighbourly relations and strategic communication, and SW4: Competitiveness and Inclusive Growth.

The **UN Strategic Development Goals (SDG)** for building an *inclusive society and sustainable development, access to justice for all, building effective and accountable institutions at all levels, equal opportunities and building partnerships, as well as jobs development, poverty and hunger reduction, population health and safe housing, water supply and communal infrastructure and innovation* – are also addressed through the reforms in this cluster.

In terms of **financial resources** planned, about EUR 345 million from the national Budget and about EUR 400 million from IPA and other donor assistance are planned for the reforms in this cluster for the next five years (including loans).



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# POLITICAL CRITERIA

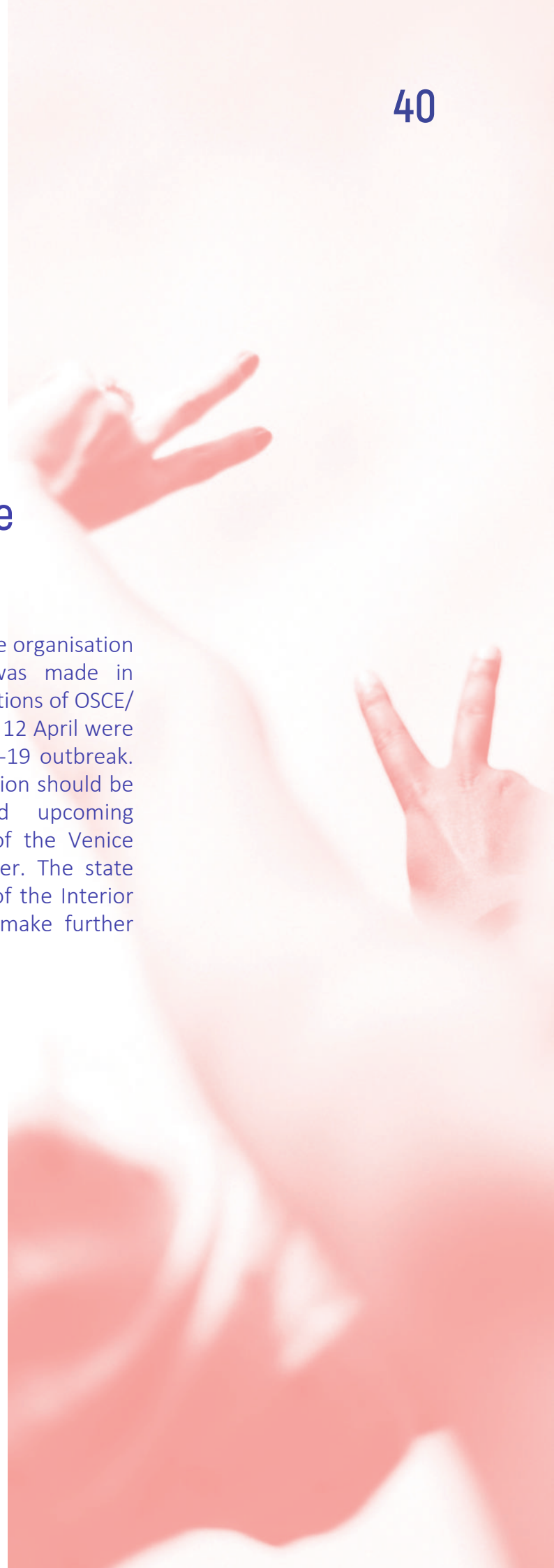


# DEMOCRACY

## Elections

### Findings and recommendations from the EC 2020 Report

Overall, the legal framework is conducive to the organisation of democratic elections. **Some progress** was made in addressing and implementing the recommendations of OSCE/ODIHR. The early elections initially foreseen on 12 April were postponed to 15 July 2020 due to the COVID-19 outbreak. The comprehensive review of electoral legislation should be finalised to address the previous and upcoming recommendations of the OSCE/ODIHR and of the Venice Commission, in a timely and inclusive manner. The state institutions and bodies, notably the Ministry of the Interior and the State Election Commission, should make further efforts to systematically update the voters' list.



## Current situation

The reform of the electoral legislation was continued in 2020. Several amendments were made to the Electoral Code, aimed at improving the legal provisions in accordance with the comparative analysis of the European legislation and envisaging appropriate activities for consistent implementation of the election-related laws based on the **recommendations in the Final Reports of the OSCE/ODIHR Election Observation Mission** in the 2019 presidential elections:

- An obligation was introduced for the State Electoral Commission (SEC) and the Municipal Electoral Commissions (MECs, in conducting local elections) to request, ex officio and electronically, data from the competent courts and other institutions, on the proposed candidates, before confirming them. The competent courts and other institutions are obliged to submit the data on the candidates to the SEC and/or the MEC electronically, within 24 hours from the receipt of the request.
- The data from the Central Population Register of Population were envisaged to be used in compiling the Voters' List.
- An obligation was introduced for the Ministry of Interior to submit to the SEC a list of citizens who submitted a request for a new personal document, counted from the day of proclaiming the elections until the end of the public insight and a list of persons who will turn 18 by the day of the elections.
- It was made possible for the citizens who are accommodated in homes for out-of-home care to be able to exercise their right to vote in the institution where they are accommodated, upon previously submitted application. This obligation shall be implemented by the SEC, Ministry of Labour and Social Policy (MLSP) and the managements of the homes for out-of-home care.
- An obligation was introduced for the body responsible for execution of sanctions, through the prison administrations, to make it possible for the persons serving a prison sentence, or are in detention, to be able to inspect the voter' list and to submit a request for issuance of a new identification document and a request for registration or deletion in/from the Voters' List.
- The Macedonian citizens, who are abroad on the day of the



elections, shall register to vote through a special application developed by the SEC.

- The signatures in support of the list/s of candidate/s proposed by a group of citizens were enabled to be collected in front of a Notary Public
- The deadline for submitting the list/s of candidates was extended to 35 days prior to the Election Day.
- The term "election campaign" is now specified.
- The State Commission for Prevention of Corruption (SCPC) has become competent to act on all complaints concerning non-compliance with the provisions pertaining to financing of the election campaign.
- It is specified that the broadcasters and the electronic media are obliged to provide, free of charge, space for broadcasting of the SEC campaigns, which are not considered as paid political advertising.
- The duration of the paid political advertising on the televisions and broadcasters is specified in an additional nine minutes to one real hour of programme broadcasting and the allocation of this time between the participants in the election process.
- The deadline and the necessary documents that the media should submit to the SEC are specified, in addition to the request for entry in the Media Register, if they will participate in the broadcasting of paid political advertising.
- The maximum price allowed for broadcasting of a paid political advertising is specified.
- The maximum amount of funds that can be used from the Budget of the Republic of North Macedonia for paid political advertising was determined to be in the amount of EUR 2 per registered voter, as well as the allocation of these funds among the participants in the elections.
- Political advertising of the participants in the elections on billboards was allowed, with the obligation that their rent will be paid by the participant in the elections and will not be at the expense of the Budget.
- The sources of funds from which the political campaign can be financed, and the sources from which the political campaign must not be financed, were specified.
- The deadlines within which the participants in the election campaign are obliged to submit reports to the SEC, SCPC and State Audit Office (SAO) were specified.
- A possibility was introduced for the SEC to introduce biometric identification of voters through the use of technical means and the manner of conducting of the voting process through the use of technical means.
- The manner of voting in institutions for out-of-home care is defined.
- The procedure for submitting complaints for protection of the

voting right of the voters and protection of the voting right of the submitters of the candidate list/s is specified.

- The content and enclosures of the possible submitted complaints are defined.
- An obligation was introduced for the MEC to decide on the complaints for protection of the personal voting right of the voters, the deadline was extended for the SEC to decide on the submitted complaints for protection of the voting right of the submitters of list/s of candidate/s, which is 72 hours, and the Administrative Court, which should decide on appeals filed within 60 hours.
- Constituency 5 and Constituency 6 were changed in a way that the municipalities of Debar and Mavrovo and Rostusha were transferred to Constituency 5.
- New fines were introduced.

New amendments to the Electoral Code were adopted by consensus in April 2021, which allow the use of fingerprints for voter identification in the next elections. Twelve million euros have been provided for purchase of software and equipment.

A new Strategic Plan of the State Electoral Commission for the period 2021 - 2023 was adopted, as well as preparation for organising several on-line workshops for evaluation of the Elections and the work of the election bodies.

## Short-term priorities

The SEC will continue to provide conditions for a credible election process, such as activities to prevent and investigate voter intimidation, to ensure the division of government and party activities, balanced media reporting, etc. in the run-up to the regular local elections, which will be held in 2021. The voters' list will be continuously updated, in intensive cooperation with the Ministry of Interior, Ministry of Foreign Affairs, Ministry of Labour and Social Policy, Ministry of Justice (MoJ) and the Ministry of Information Society and Administration (MISA). The implementation of the OSCE/ ODIHR recommendations will continue. Additional efforts will be made for capacity building of the SEC, in accordance with the new job systematisation that was adopted.

The SEC will introduce a new approach to education of the election bodies as well as a campaign for information and education of the voters for the purpose of efficient organisation and implementation of the Local Elections 2021. The activities include education of the election bodies through trainings delivered by trainers trained

by the SEC, continuous trainings on the election process, online trainings and seminars and monitoring of the education process of the election bodies. Brochures, information materials and videos will be prepared for educating and informing the voters, getting acquainted with the election process for the voters who are voting for the first time. Guidelines on the rights and obligations of the authorised representatives of submitters of list will be prepared and distributed, and continuous election training for all civil servants in the Republic of North Macedonia when employed, will be developed.

## Medium-term priorities

The SEC will continue to exercise its mandate. In this context, activities that aim to improve the electronic case and complaint management system, as well as the implementation of a risk management tool in order to identify the possible risks that threaten the proper implementation of the election process and identification of measures for their prevention will continue. Representatives of the SEC will be actively involved in the working group that will be drafting a new Electoral Code.

The activities for continuous education of the election bodies will continue by organising out-of-election trainings for the members of the election bodies, publishing of new announcement for recruitment of trainers and organising and conducting trainings for trainers, online trainings, as well as organising seminars and printing brochures and information materials, preparation of video manuals, projects for getting acquainted with the election process of first-time voters and more.

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# Assembly

## Findings and recommendations from the EC 2020 Report

The Assembly has improved its role as a primary forum for constructive political dialogue and fulfilled its **legislative functions**, including by adopting key EU-related laws. However, the use of the abbreviated procedure should be limited. The Assembly has continued to restore control and balance over the executive, using its **oversight functions** and working with greater transparency. All parties contributed to two successful rounds of the Jean Monnet Dialogue with the European Assembly. The responsibility for those who organised and committed violence on April 27, 2017 continued to be established. The Assembly promoted the protection of human rights and deepened cooperation with external oversight actors. The new legislature is expected to work inclusively to build on previous achievements, while improving its functioning. Political parties need to strengthen their internal democratic processes and improve the transparency of their funding.



## Current situation

The mandates of 120 MPs elected in the early Parliamentary elections held on 15 July 2020 were verified. At the constitutive session of the tenth composition of the Assembly held on 4 August 2020. The President of the Assembly was elected at the continuation of the constitutive session held on 21 August 2020. There are 20 political parties, some of which act as coalitions and some independently, as well as one independent MP, in the tenth Parliamentary composition (2020-2024) during the time of preparation of this revision of the NPAA<sup>1</sup>.

There are 73 male MPs and 47 female MPs in the current composition of the Assembly. Out of the total number of MPs, which is 120, according to ethnicity 80 MPs are Macedonians, 32 are Albanians, 1 MP is Roma, 3 are Turks, 1 is Bosnian, 2 are Serbs and 1 MP is Vlach. The Assembly, at the session held on 30 August 2020, elected the Government of the Republic of North Macedonia. The Assembly, at the session held on 14 September 2020, adopted a Decision for election of presidents and members of the committees of the Assembly.

The President of the Assembly submitted a draft Rules of Procedure on 16 November 2020 for amendments to the existing Rules of Procedure of the Assembly (with a shortened procedure) the main objective of which is to increase the efficiency of the Assembly and the working bodies when a member of the Assembly is prevented from physically attending the Assembly due to health condition caused by the COVID-19 virus.

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1. 26.11.2020.

The political groups and the leadership of the Assembly agreed on the amendments to the Rules of Procedure at the third Jean Monnet Dialogue between the Assembly and the European Assembly held on 31 January – 1 February 2020 that will ensure that the Assembly in the new composition will be efficient, transparent and effective in realisation of the aspirations of the citizens, including promotion of the EU membership. The President of the Assembly had a virtual consultative meeting on 3 November 2020 with members of the European Assembly from the Jean Monnet Dialogue, which was also attended by coordinators of the Parliamentary groups and representatives of the political parties represented in Assembly.

The Committee on Rules of Procedure and Mandate-Immunity Issues adopted a Guideline for Application of the Code on 7 February 2020, which is published on the website of the Assembly, in accordance with the Code of Ethics for the members of the Assembly. A working meeting of the MPs was held on 30 January 2020 in the Assembly, in cooperation with the International Republican Institute (IRI), for the purpose of sharing of experiences from the United States on



anti-corruption, transparency and ethics instruments applicable to elected and appointed persons at central and local level. The procedure for signing of statements for acceptance of the Code of Ethics by the members of the new Assembly is ongoing.

A Council of the Parliamentary Service was established pursuant to the Law on Amendments to the Law on the Assembly adopted on 16 January 2020, as well as the Parliamentary Budget Office, which began to prepare professional financial and budget analyses for the needs of the MPs and the working bodies.

The Assembly continued with implementation of the Parliamentary Support Programme (PSP) according to the activities and funds planned for 2020. The programme is implemented by: NDI, the Centre for Change Management and the Institute for Democracy "Societas Civilis", with institutional partnerships from the Swiss Federal Assembly, European Assembly, Estonian Riigikogu, the German Bundestag and the Mana Balslv organisation from Riga. Based on the Memorandum and the Agreement for implementation of the PSP, the Assembly established a Steering Council which, in November 2020, provided strategic directions for programming of the funds from the 2021 Programme. The PSP supports the objectives and activities of the Strategic Plan of the Assembly 2020-2023, as well as other planning documents, such as the Action Plan for Open Government Partnership.

The Assembly adopted a Decision in November 2020 on the establishment of a working group composed of MPs, the Assembly service and civil society organisations in terms of preparation of the Plan of the Assembly in the context of Open Government Partnership (OGP). Additionally, the Assembly prepared a draft action plan for OGP 2021-2023 which it submitted for consultation to the civil society organisations.

The committees in the Assembly continued their work within their competencies. The Committee on Oversight of the Implementation of Measures for Interception of Communications in the new Assembly adopted the Rules of Procedure of the Committee and decided to hire two technical experts for continuous support in the Committee. Two items on the agenda were reviewed at the session of the Committee in November 2020: the draft Guideline on the manner and procedure for performing oversight of the measures for interception of communications; and the Administrative review of the applications from the Public Call for hiring two technical experts for continuous support. The Committee on Finance and Budget initiated an oversight hearing in November 2020 on the topic of "Identification of the reasons and completion of the laws in the procedure of bankruptcy for Eurostandard Bank JSC Skopje". The Commission for European Affairs in the new composition

of the Assembly<sup>2</sup> held four sessions at which it reviewed five draft laws from the NPAA. The Assembly, in the period January-November 2020, adopted 9 laws<sup>3</sup> from the NPAA proposed by the Government in order to harmonise the national legislation with EU acquis. The Committee on European Affairs and the Committee on Equal Opportunities for Women and Men in October 2020 held a joint public debate on the draft Law on Prevention and Protection against Discrimination, with participation of representatives from the civil society.

The Assembly adopted the Law on Prevention and Protection against Discrimination at the session held on 27 October 2020 and at the session held on 20 November 2020 it adopted a Decision on announcing a public competition for election of members of the Commission for Prevention and Protection against Discrimination. The Commission was elected on 25 January 2021 and is composed of seven members – two women and five men. Four of the members are Macedonians, one Albanian, one Turk and one Roma. One of the members resigned on 11 February 2021, which was confirmed by the Assembly. The draft Decision for publishing of a public competition for election of a member of the Commission for Prevention and Protection against Discrimination is on the agenda of the current 39th session of the Assembly.

The Assembly adopted a Decision on announcing a competition for election of Ombudsman at the 22nd session, held on 26 November 2020, and on 25 January 2021 it elected the new Ombudsman for a term of nine years. At the same time, the Assembly adopted a Decision on announcing a public competition for election of members of the Commission for the Agency for Electronic Communications...

Activities and trainings were launched in cooperation with the International Republican Institute (IRI) and the Partnership for Democracy of the US Congress in order to strengthen the capacity of the Standing Inquiry Commission for the Protection of Civil Freedoms and Rights.

The Committee for Inter-Community Relations, at the first session held on 16 November 2020, a President and vice-President of the Committee.

The Committee on Oversight of the Implementation of Measures for Interception of Communications, at its session held on 03 December 2020, adopted Instructions on the manner and procedure for doing oversight of the measures for interception of communications and conducted an administrative check of the applications from the Public Call for hiring two technical experts for continuous support to the Commission.

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2. as of 26 November 2020.

3. Law on Strategic Investments in the Republic of North Macedonia; Law on Private International Law; Law on Energy Efficiency; Law on Persons Unregistered in the Birth Registry; Law on Management of the Movement of Cases in the Courts; Law on Personal Data Protection; Law on Public Prosecution; Law on Amendments to the Law on the Council of Public Prosecutors; Law on Prevention and Protection against Discrimination.

The Club for Youth Affairs and Policies held a constitutive session on 4 December 2020.

The Parliamentary Institute of the Assembly responded to 20 inquiries submitted by users of research services and prepared 12 research works on its own initiative in the period July-November 2020. The Parliamentary Institute has launched virtual educational activities in order to promote a culture of openness of the legislature. Webinars for pupils and students as well as organised tours of the Assembly building are conducted through a software application for a virtual tour <http://vtour.sobranie.mk/> - a total of 1,261 citizens participated in this activity in the period July-November 2020.

The EU Centre of the Assembly has prepared 3 monthly publications of EU newspaper, in electronic and printed form, for the members of the new composition of the Assembly.

## Short-term and medium-term priorities

A key priority will be to continue the work of the Assembly based on **constructive political dialogue and strengthen the representative, legislative and oversight function** in accordance with the priorities set out in the Strategic Plan of the Assembly (2021-2023),

The President of the Assembly will continue to hold regular coordination meetings with the coordinators of the Parliamentary groups, especially for the purpose of programming the work of the Assembly. Certain representatives of the Government will also take part in the meetings.

The activities for improvement of the Rules of Procedure of the Assembly will continue, especially the provisions on the constitutive session, improved oversight of the Government, public hearings, budget calendar and procedure for the laws with European flag. The Jean Monnet Dialogue remains an important forum for the Assembly in terms of cooperation with the European Assembly and also for implementation of the European agenda, and especially for reaching a consensus among the political parties on the key areas of the Parliamentary reforms.

The Assembly will make efforts to limit the use of the shortened procedures in the adoption of laws in order to enable appropriate participation of the relevant stakeholders in the legislative process as well as democratic debate.

Consensus on issues related to the implementation of the Ohrid Framework Agreement will be ensured within the regular

coordination meetings with the President of the Assembly, the Vice Presidents of the Assembly and the coordinators of the Parliamentary groups.

The acts for ethical conduct of the members of Assembly will continue to be applied in order to prevent situations in which the members of Assembly may find themselves in, when performing their functions, as well as raising of awareness of the members of Assembly in terms of consistent observance of the ethical principles and rules of conduct.

The work of the Committee for Inter-Community Relations will be taking place in accordance with the legal provisions and by holding sessions.

The Assembly will continue to strengthen the communication with the citizens through the offices of the MPs intended for contact with the citizens and located in the local self-government units.

Parliamentary reforms for independence of the Assembly (in terms of financial, administrative and security independence) will continue to be implemented in 2021 in order for the legislature to be the centre of political dialogue, an accountable and transparent Assembly and with a real oversight role. The implementation of the amendments to the Law on the Assembly will continue.

The Swiss Parliamentary Support Programme will continue to be implemented through institutional development activities, policy dialogue, the oversight and legislative role, transparency and accountability of the Assembly.

Activities will be carried out within the participation of the Assembly in the OGP for preparation of Action Plan 2021-2023 for specific areas identified in consultation with the civil society, as well as for implementation of the plan, which provides for 3 commitments: Assembly with open response and open recovery from the COVID-19 pandemic; Improved ICT infrastructure and Citizen Participation/Open Assembly.

The activities of the competent parliamentary bodies will continue in 2021, by holding sessions and through working visits in order to **strengthen the capacity of parliamentary oversight of the security and intelligence services**. The capacity of parliamentary committees for oversight of the work of the intelligence services will continue to be strengthened with support of the strategic partnership from the Geneva Centre for the Democratic Control of Armed Forces (DCAF). Technical experts will be hired to assist the work of the Commission according to the decision of the

Commission for Supervision of the Implementation of the Measures for Interception of Communications. Efforts will be made to amend the legislation and create a basis for using the funds for operation of the Civil Oversight Council.

The working bodies will hold oversight and public hearings, as well as sessions on the reports of the regulatory bodies elected by the Assembly **in order to strengthen the parliamentary oversight of the work of the Government and the involvement of the civil society in the work of the Assembly**. The activities of the informal inter-party Parliamentary groups will continue with active participation of civil society representatives and through other ongoing activities such as: Action Plan of the Assembly for Participation in the Open Government Partnership 2021-2023, as well as activities of the Parliamentary Support Programme that supports the objectives and activities of the Strategic Plan of the Assembly. The issue of more active future involvement of civil society organisations in the Assembly is being considered in the frames of the ongoing process of the Jean Monnet Dialogue between the members of the Assembly and the members of the European Assembly, where the activities to improve the Rules of Procedure of the Assembly of the Republic of North Macedonia have continued.

**Improving the capacity to monitor the protection of human rights and fundamental freedoms in the country** - The Standing Inquiry Commission for Protection of Civil Freedoms and Rights will hold regular sessions in accordance with the competencies and public hearings, in cooperation with the civil sector. With support from the International Republican Institute (IRI) and the Partnership for Democracy of the US Congress, activities will be implemented aimed at capacity building of the Inquiry Commission.

Efforts will be made to improve the cooperation between the Assembly and the State Audit Office, in terms of monitoring of reports as well as efforts for reviewing of the final audit reports, in order to improve the **Parliamentary oversight of the audit report findings**.

**The provision of consensus in the Assembly on issues related to European Union accession** remains a key priority for the Assembly. For the purpose of full implementation of the NPAA, the Assembly will give priority to the adoption of laws that harmonise the national legislation with the European *acquis*, with scope and dynamics depending on the authorised proposers of laws.

The Committee on European Affairs will encourage and promote the harmonisation of the national legislation with the EU *acquis*, by reviewing the NPAA draft laws and by checking whether the laws



are properly incorporated into the domestic law. The Committee shall mandatory discuss all laws bearing the EU mark, in terms of their compliance with European legislation. The Committee will monitor the implementation of the NPAA by reviewing quarterly reports submitted to the Assembly by the Secretariat for European Affairs, regarding the dynamics of harmonisation of the legislation with EU *acquis*, as well

as the degree of fulfilment of the obligations under the Agreements between the Republic of North Macedonia, and the EU and the implementation of programmes and other acts of the EU institutions, including financial assistance programmes. The Committee will hold a session in wider composition, which will include government officials responsible for each of the chapters of the European legislation, at which it will also summon the chairpersons of the relevant Parliamentary committees, depending on the subject matter of the negotiations. The Committee will also invite the Chief Negotiator to the these sessions in order for him/ her to inform the Committee of any significant issues during the negotiation process, so the Committee on European Affairs is able to give its opinion and recommendation on those issues. The Committee will regularly inform the Assembly on all issues related to the European integration. When it comes to EU-related issues, the Committee will seek to achieve consensus at the sessions between the position and the opposition, as well as with the civil society representatives, the academia and other stakeholders who will be invited to the sessions. The Committee will organise oversight and public hearings on topics important for the European integration process.

**The National Council for European Integration**, as a platform of an inclusive nature, will continue to be a forum for broad debate on key issues in the process of European integration, with participation of all social factors in the creation and monitoring of the European integration of the country. The National Council will contribute to the promotion of the political dialogue in the Assembly and in the maintenance of a broad national consensus for membership of the country in the EU. The National Council, as a key body in the Assembly in the accession negotiations, shall provide opinions and directions according to the competencies for the preparations for starting the negotiations, and as soon as the negotiations are opened, shall provide opinions and directions on the negotiating positions of the country and on the issues that will be opened during the negotiations. The National Council will cooperate and will have continuous consultations with the negotiation structures regarding all the chapters that will be negotiated during the negotiations.

**Joint Parliamentary Committee – Republic of North Macedonia and European Union** will hold regular meetings and regular Parliamentary dialogue between the members of the Assembly and the European Assembly. This Committee will continue to issue a bulletin aimed at informing the members of the European

Assembly, the competent services of the European Commission and the chairpersons of the Committees on European Affairs of the national Parliaments of the EU member states about the activities in the Assembly related to the European integration process.<sup>4</sup>

The Assembly will continue with the multilateral and bilateral cooperation, through intensive international cooperation and the activities of the President of the Assembly, of the Parliamentary groups for cooperation with Parliaments of specific countries and through the permanent delegations in the international Parliamentary assemblies. The overall bilateral relations with the countries in the region and the EU member states will be further strengthened.

The EU Centre in the Assembly will continue to provide the MPs with access to information related to EU issues by publishing a monthly newsletter – EU News<sup>5</sup>, in electronic and printed form, as well as by proactively informing the MPs about trending topics in the EU legislation and policies.

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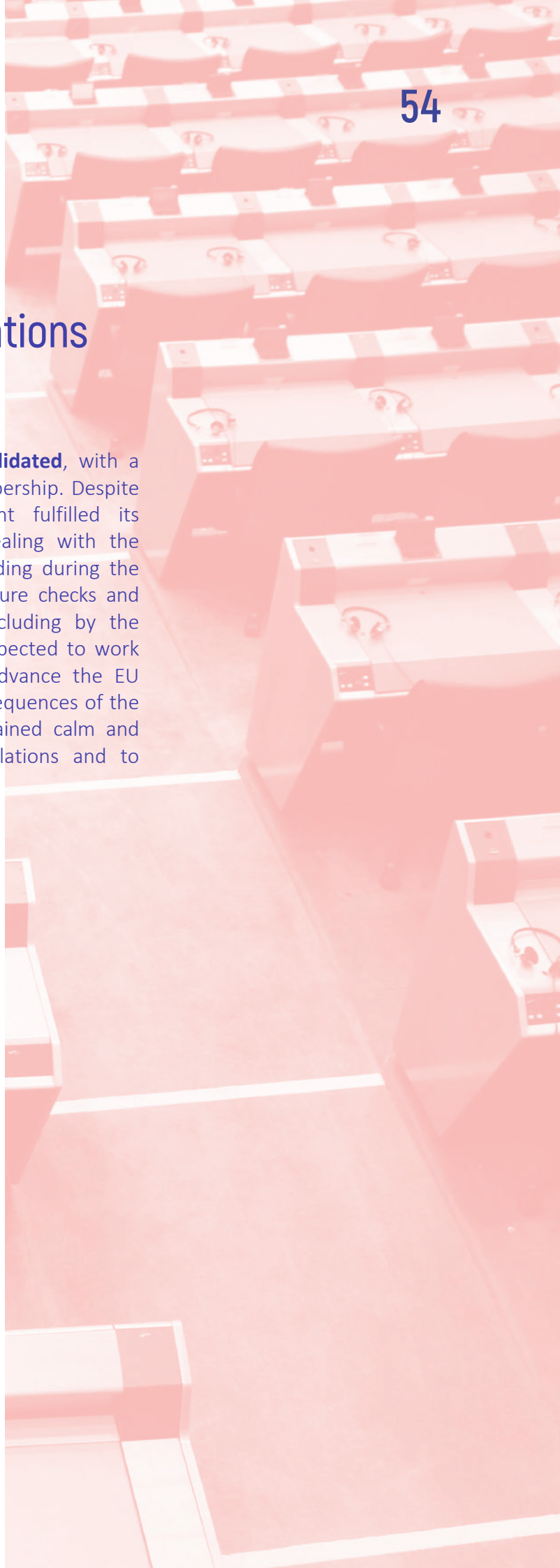
4 A total of 61 electronic editions of the Bulletin of JPC - MK and EU were issued in the period January 2010 to February 2020.

5 The EU Centre has prepared 55 monthly publications (EU News) in the period June 2014 to November 2020.

# Governance

## Findings and recommendations from the EC 2020 Report

Democratic governance **continued to be consolidated**, with a focus on the EU reform agenda and NATO membership. Despite occasional tensions, the technical government fulfilled its mandate to organise early elections, while dealing with the consequences of the COVID-19 pandemic, including during the state of emergency. Existing mechanisms to ensure checks and balances were activated during this period, including by the Constitutional Court. The new government is expected to work together with all parts of society to further advance the EU reforms and priorities, while addressing the consequences of the COVID-19 crisis. The inter-ethnic situation remained calm and efforts continued to strengthen inter-ethnic relations and to implement the Ohrid Framework Agreement



## GOVERNMENT

The new Government was elected on 31 August 2020, following the early Parliamentary elections held in July 2020. It is a coalition government of three political parties – the Social Democratic Union of Macedonia (SDSM), the Democratic Union for Integration (DUI) and the Besa Movement. These political parties have a 62/120 majority in Assembly.

Four out of twenty members are female Ministers (20%) within the Government: in the Ministry of Culture, Ministry of Labour and Social Policy, Ministry of Education and Science and Ministry of Defence. The Prime Minister has four deputies, none of whom are women. Additionally, women are deputy Ministers in two Ministries: Ministry of Foreign Affairs and Ministry of Environment and Physical Planning. Six out of thirty seven people in executive positions in the Government were women in 2021, which is a share of 16.2%.

55% of employees are women and 45% are men, but women hold only about 36% of managerial positions in the public sector according to the Register of Institutions in the Public Sector (2019). There are more women in the public institutions, especially in labour and social affairs and in health and education, while there are more men in administration, communal affairs and local self-government. Women are more represented in judicial institutions, while men are more represented in the security sector. The highest gender inequality is observed in public enterprises, where men represent 83.36% of employees and women only 16.64%. Only 29% of managers of public utility companies are women and only 5% of women are directors of institutions.

## COORDINATION OF THE EUROPEAN INTEGRATION PROCESS

The Secretariat for European Affairs continued to play a key role in coordinating the European integration process in accordance with the legal competencies related to coordination of planning, monitoring and reporting on the progress of reforms in all chapters and areas. These activities will be carried out in accordance with the NPAA, the planning and monitoring of obligations under the Stabilisation and Association Agreement and the planning and evaluation of the European funds and other bilateral assistance for implementation of the reform activities, strengthening of the administrative capacity for the accession process and activities of adaptation of the national institutions to the European administrative structures, preparation of the national version of the *acquis* and coordination and ensuring support to the negotiating structure in the process of accession negotiations and communication with the public and other stakeholders.

The NPAA remains a key strategic document of the Government that integrates the plans and the vision on the dynamics of the reform process, including the plans for harmonisation of the national legislation with the EU *acquis*, focusing on the EU acts that were presented during the explanatory meetings for all chapters (conducted in the period October 2018-December 2019) as well as the planned dynamics, the necessary human and financial resources and the donor assistance. The NPAA also includes the priorities from the annual reports of the European Commission, the SAA commitments, evaluation and other technical meetings with the EC. The NPAA is in line with the strategic priorities and the Annual Programme for Work of the Government, the Economic Reform Programme, the Medium-Term Budget Framework, Action 21, Agenda: Europe at Home, the Action Plan for Fight against Corruption, the IPA 3 thematic windows, the United Nations Strategic Development Objectives and other relevant sectorial strategic documents.

The NPAA is restructured by the adoption of the new Methodology for Accession Negotiations by grouping the chapters according to the clusters of the Methodology, but conceptually contains the standard annexes: matrix of activities, legislative annex, financial resources annex, annex on human resources and annex on IPA and other bilateral assistance. The monitoring and reporting on NPAA will be done through the existing mechanisms on a quarterly basis.



The Government adopted the **Europe at Home agenda** on 9 March 2021 in order to ensure a greater focus of the reforms in certain priority areas, which focuses on the areas included in the Cluster Fundamentals, as a cluster that dictates the dynamics of the negotiations: electoral reforms, judiciary, fight against crime and corruption, basic human rights, media reform, economic governance and public administration reform. In addition, the document also includes priorities in the area of environment and climate change, as the policies in this area are the most important for the quality of life of all citizens and are directly related to the Green Agenda of the EU. This document is complementary to key government strategic documents of the Government, including Action 21 and the Action Plan for Fight against Corruption. This document is complementary to key government strategic documents, including Action 21 and the AP on Fighting Corruption. The progress in the implementation of the measures is monitored on a weekly basis, and the SEA shall be preparing regular reports.

The SEA started reviewing the mechanism for managing and coordinating the accession negotiations – a need arising from the new Methodology for Accession Negotiations pursuant to the measures of the Europe at Home agenda. This process will be implemented in a transparent manner, in consultation with all stakeholders in society, in order to establish the mechanisms for involvement and cooperation with all stakeholders, through an open and inclusive process, including civil society organisations, academia, chambers of commerce and trade unions.

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## FIGHT AGAINST CORRUPTION

The Government introduced a new position of Deputy Prime Minister for Fight against Corruption, Sustainable Development and Human Resources in order to ensure more effective coordination of the law enforcement agencies in the fight against corruption and organised crime, and in March 2021 adopted an **Action Plan for Fight against Corruption**.

A practice was established according to the Plan for regular biweekly meetings between the Deputy Prime Minister in charge of fight against corruption and the State Commission for Prevention of Corruption (SCPC) in order to ensure adequate and effective monitoring of the recommendations provided by the SCPC to the state administration bodies. Since the introduction of this coordination mechanism, meetings have been held on regular basis and it has been acted upon all the recommendations of the SCPC given by April 2021. The Assembly adopted the new **National**

## **Strategy for Prevention of Corruption and Conflict of Interest 2021-2025**, prepared by the SCPC.

A new Code of Ethics has been adopted for the members of the Government and public officials in order to ensure compliance with the constitutionality, legality, professional integrity, efficiency, loyalty, accountability and transparency. More than 300 appointed officials have signed the Code. The Code of Ethics applies non-selectively to all officials, without omitting any of them.

The first cycle of trainings took place in November 2020, separately for the members of the Government. The Government reaffirmed its commitment to the fight against corruption by dismissing several public officials who violated the Code of Ethics.

## **TRANSPARENCY AND ACCOUNTABILITY**

The scope of ‘information holders’ has been expanded pursuant to the Law on Free Access to Information of Public Character (Official Gazette No. 101/2019), which now, in addition to state bodies and other bodies and organisations determined by law, municipal bodies, the City of Skopje and the municipalities in the City of Skopje, also includes institutions and public services, public enterprises, legal and natural persons exercising public powers determined by law and activities of public interest as well as political parties in terms of revenues and expenditures. Each information holder shall be obliged to publish on its website and regularly update a set of 22 documents that relate primarily to organisational and financial operations.

The implementation of the Transparency and Accountability Strategy 2019-2021 has continued.

The Fiscal Transparency tool was promoted on 23 June 2020, which was used to upgrade the <https://koronavirus.gov.mk/> website. It is a tool through which the public has access to all information about the funds flow into the Budget and are spent from the Budget, and provides records of all non-financial donations received as assistance intended to deal with the COVID-19 crisis. The public can obtain information from a single place about all expenses related to the crisis caused by COVID-19 by connecting the databases of the institutions with the Electronic System for Public Procurement.

A Fiscal Counter was introduced as a tool for transparency of the Ministry of Finance with high-frequency data showing revenues, budget expenditures and execution of capital expenditures on a daily basis. It also shows the Government debt on a monthly basis. The purpose of this tool, published on the website of the Ministry, is to provide further openness of the Budget to the public, in order to achieve an even higher level of fiscal transparency.

The Government of North Macedonia, by joining the Open Government Partnership initiative, signed a Declaration committing itself, together with civil society organisations and citizens, to prepare and implement concrete efforts, for at least a two-year period, aimed at promoting transparency, support of the civic participation, fight against corruption, use of new technologies in the public administration and outside of it for supporting innovations, etc.

Four National Action Plans for OGP have been implemented in the past period (2012-2014, 2014-2016, 2016-2018 and 2018-2020). The process is coordinated by the MISA.

The preparation of the **National Action Plan for OGP for 2022-2023** is in progress. The e-conference "Open Government Partnership - Dialogue for the National Action Plan 2021-2023" was held in September 2020 in order to promote the OGP initiative among the civil society organisations, to inform them in more detail about the benefits and the progress made and to create room for discussion on the next steps in the co-creation of the new action plan.

The OGP Council and the OGP Network have been established, bodies in which members are representatives of civil society organisations and state institutions in order to promote the implementation of the OGP. Recently, a special website for OGP was also launched – <http://www.ovp.gov.mk>.

# SUSTAINABLE LOCAL DEVELOPMENT AND DECENTRALISATION

## Current situation

The Government adopted the **Programme for Sustainable Local Development and Decentralisation 2021-2026** with an Action Plan, which completed the normative and strategic framework and provided preconditions for faster and more dynamic development at local and regional level, following the adoption of the **Law on Balanced Regional Development** in January 2021 (Official Gazette 24/21) and the **Regional Development Strategy of the Republic of North Macedonia 2021-2031** (Official Gazette 76/21). The main objective of the Programme continues to be the creation of economically stronger, development-oriented and inclusive local self-government units, capable of providing comprehensive, innovative and sustainable local growth and development in the area in which they operate.

Amendments to the Programme are expected to contribute at strategic level to the following:

- consolidation of the local self-government system;
- more efficient coordination of policies and institutions at national and local level for greater efficiency of sustainable local development policies;
- more inclusive planning and monitoring of sustainable development at the local level;
- more efficient provision of services to citizens and business entities;
- more responsible management and control of public finances at the local level;
- use of alternative sources of funding by local authorities;
- capacity building of the national and local authorities for creation, implementation and evaluation of the sustainable development at local level in accordance with the Programme for Sustainable Local Development and Decentralisation 2021-2026.

The Programme, according to the commitments, envisages the following specific objectives:

- Effective recovery of the municipalities from the crisis caused by COVID-19;
- Sufficiency of financial resources for implementation of the transferred and new competencies;
- Reduced disparities between urban and rural municipalities,

by establishing an integrated, transparent and predictable system of grants with a built-in financial equalisation component;

- Transition from predominantly institutional to functional decentralisation;
- Systematically strengthened capacities of the municipalities in order to be able to effectively absorb increased financial resources and commitments, and
- Consistent application of the principles of good governance (inclusiveness, transparency, accountability and participation) at the local level

The priorities for achieving the main objective and the specific objectives are grouped in four components of the Programme, as follows:

- Normative framework and financing of the local self-government;
- Innovative and inclusive local economic development;
- Valuable local services with full coverage of the population, and
- Increased resilience and sustainable development of the local self-government

The implementation of the activities from the Action Plan is planned to be carried out with funds from the Budget, grants from the European Union and the Swiss Agency for Development and Cooperation, as well as loans from the World Bank, KfW Bank and the Council of Europe Development Bank.

The Government has established a three-tier institutional mechanism for monitoring of the implementation of the Programme given the complexity of the Programme and the Action Plan. The Ministry of Local Self-Government performs professional and administrative-technical works related to monitoring and prepares draft reports, based on information submitted by senior administrative officials of the state administration bodies responsible for implementation of certain activities of the Action Plan. The annual and the final report on the implementation of the Programme are adopted by the Collegium of State Secretaries, and then by the Government.



## Short-term priorities

A Methodology for Monitoring of the Programme for Sustainable Local Development and Decentralisation 2021-2026 will be prepared. An analysis of the legal framework that regulates the position, competencies and functioning of the local self-government in the country will be carried out. According to the monitoring system, a Report will be prepared on the implementation of the Programme for Sustainable Local Development and Decentralisation in the Republic of North Macedonia 2015-2020 for 2019/2020; as well as for 2021 and 2022.

A Report on the Use of Funds from the Budget for 2019 will also be prepared in order to support the implementation of the Strategy for Roma in the municipalities where Roma population is represented, for the purpose of creating local action plans aimed at improvement of the Roma situation.

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## Medium-term priorities

The implementation of the Programme for Sustainable Local Development and Decentralisation 2021-2026 and the preparation and implementation of Action Plans for 2021-2026, for 2024-2026, will continue; Reports on realisation of the Programme for Sustainable Local Development and Decentralisation 2021-2026 for 2023, 2024, 2025, 2026 will be prepared and adopted according to the monitoring system.

Support to the municipalities will be provided for creation of Local Action Plans.

# Civil Society

## Findings and recommendations from the EC 2020 Report

The environment in which civil society operates **has continued to improve**, including with the implementation of the 2018-2020 Strategy and Action Plan for the Cooperation between Government and Civil Society. Civil society remained active and played a key role in policy and decision-making processes. However, further efforts are needed to ensure a more meaningful and timely consultation process. Both governmental and non-governmental actors should ensure that conditions are in place for proper checks and balances. The legal and financial frameworks still need to be improved and implemented in practice.

## Current situation

The Government has established a continuous, transparent and fully inclusive dialogue with the civil society, treating it as an equal partner and corrector of its decisions in accordance with the commitments for improvement of the environment in which the civil society operates and develops. The *Government Strategy for Cooperation with, and Development of, the Civil Society Sector (2018-2020)* continued to be implemented.

An independent, representative and effective *Council for Cooperation with, and Development of, the Civil Society* (hereinafter: the Council) has been established, as an advisory body to the Government for promotion of cooperation, dialogue and encouragement of the development of the civil society sector. Since its establishment in April 2018, until November 2020, the Council held a total of 24 sessions. The implementation of standards for public participation in policy-making has made significant progress, mainly with the involvement of the civil society organisations in the early stages of the law-making and policy-making processes, in various ways, especially through initiatives aimed at contributing to the preparation of the Annual Programme for Work of the Government, through participation in working groups, as well as by adhering to the ENER deadlines for electronic consultations. The ENER platform was upgraded in order to increase the transparency and improve the stakeholder participation in the policy-making process. The Council established a draft Model for involvement of civil society organisations in the accession negotiations for membership in the European Union following a consultative process in order to involve the civil society organisations in the process of preparation of the negotiating positions and negotiations with the European Union.

Transparency and objectivity in the distribution of funds intended for financing programme activities of associations and foundations has been increased. In December 2019, a new Decision was adopted on the criteria and procedure for allocation of funds for financing of programme activities of associations and foundations from the Budget of the Republic of North Macedonia, and two Council members from civil society organisations participate in the work of the Commission for allocation of funds.

The Council submitted to the Government an Analysis of the financial support to associations and foundations from the Budget (since

2017 to the first half of 2019) in October 2020, with a comparative analysis of state funding models from other countries and a draft model of a fund for institutional support to civil society organisations and co-financing of EU projects in order to establish a transparent and trustworthy model for state funding by establishing a single fund for institutional development of civil society organisations and for co-financing of EU projects.

## Short-term priorities

Recognising the important role of the civil society organisations as partners in defining policies related to European integration, the Government shall establish a structured dialogue with the civil society, it will ensure regular consultation and involvement of civil society organisations at all stages of policy making and law preparation, including as members of working groups, and it will support the civil society in creating a model for participation of civil society organisations in the future EU negotiating structure of the country. The rules of procedure of the Sectorial Working Groups will be amended in order to guarantee the participation of the civil society organisations in the processes of planning, programming and monitoring of the utilisation of the European Union funds for pre-accession assistance.

A preparation of a ***new Strategy with Action Plan for the period 2021-2023*** will start, which is to be adopted, in order to provide an environment that will encourage the development of the civil society sector, based on the assessment of the urgency of the unrealised measures and activities of the Government Strategy for Cooperation with, and Development of, the Civil Society (2018-2020), and in consultation with civil society organisations.

The Law on Associations and Foundations and the Law on Donations and Sponsorships in Public Activities will be amended and the system of state financing of the civil society will be comprehensively reformed. The programme support for the civil society organisations will be improved through an independent Fund for support and development of the civil society, which will be in charge of planning and managing the funds intended for development of civil society organisations, through institutional support, with administrative, management, financial and programme independence. The Fund for Support and Development of the Civil Society will enable co-financing of European projects of civil society organisations that

are in line with the strategic priorities of the country, the pre-accession assistance programme objectives and the European Union structural funds.

## Medium-term priorities

The provision of environment for development and promotion of the civil society sector will continue, through continuous implementation of the *Government Strategy for Cooperation with, and Development of, the Civil Society Sector with an Action Plan for the period 2021-2023*.

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# Reform of the security and intelligence services

## Current situation

The Law on the National Security Agency was adopted<sup>6</sup> and the Law on Coordination of the Security Intelligence Community of MK.<sup>7</sup> Bylaws and internal acts have been adopted that regulate the procedures and actions of the Agency. In consultation with the academic community and the specialised services of NATO and the EU, a draft Law on Intelligence Agency was prepared and the procedure for its adoption was initiated.

**National Security Agency**, which has been operational since September 2019 as a separate state body, is established as a professional, independent and accountable institution that acts in accordance with the legislation and high ethical and professional standards. The procedure of manning of the Agency is implemented in an inclusive manner, by taking over staff from the Ministry of Interior (MOI) and other institutions, as well as by selecting the best students from the Macedonian universities. Thematic trainings were conducted in cooperation with the strategic partners, aimed at continuous professional development of the employees of the Agency. In order to improve the interinstitutional cooperation, the Agency signed memoranda of cooperation with several institutions, as well as with universities in North Macedonia. A website of the Agency has been launched<sup>8</sup> providing information to the public about the regulations and operational reports pertaining to the work of the Agency.

Several meetings of the **Council for Coordination of the Security-Intelligence Community**<sup>9</sup> were held in order to ensure coordination of the security-intelligence services. **Office of the Council for Coordination of the Security-Intelligence Community** has been established, which is composed of representatives of the analytical organisational units in the security-intelligence services.

## Short-term priorities

An administrative procedure will be conducted for physical separation of the National Security Agency from the Ministry of

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<sup>6</sup> Official Gazette No. 108/2019

<sup>7</sup> Official Gazette No. 108/2019

<sup>8</sup> [www.anb.gov.mk](http://www.anb.gov.mk)

<sup>9</sup> The Council consists of the Prime Minister, the Deputy Prime Minister and Minister for Political System and Inter-Community Relations, the Minister of Interior, the Minister of Defence, the Minister of Foreign Affairs, the Director of the National Security Agency, the Director of the Intelligence Agency and the Head of the competent organisational unit for military security and intelligence at the Ministry of Defence.

Interior. The Agency will continue to cooperate with foreign partner security and intelligence services, primarily from NATO member states and the neighbouring countries, on bilateral and multilateral level. There will be continuous activities for upgrading of the staff, normative and information-technical capacities.

A national terrorism risk assessment is being prepared by the Office of the **Council for Coordination of the Security-intelligence Community**, which will be adopted by the Council for Coordination of the Security-intelligence Community. The Law on the Intelligence Agency will be adopted, which will mean completion of the reform of the security-intelligence services.

Two technical experts will be appointed for continuous support of the Committee on Oversight of the Implementation of Measures for Interception of Communications in order to **strengthen the Parliamentary oversight**. A list of additional national or international experts who can be accredited as experts for effective oversight will be also finalised.

## Civil oversight

Three civil society organisations were selected<sup>10</sup> whose representatives will participate in the civil control mechanism **regarding the external mechanism for controlling the work of persons vested with police powers** in order to achieve full operability of the civil control mechanism of the Ombudsman (second component of the external mechanism).

The **police reform** is implemented in accordance with the activities set out in the Police Development Strategy 2016-2020.

The Ministry of Interior adopted an Action Plan for implementation of the obligations of the Ministry of Interior arising from the GRECO evaluation report - Fifth round on "Prevention of corruption and promotion of integrity in the central government (highest executive functions) and in law enforcement agencies" in order to fulfil the GRECO recommendations. The stated Action Plan sets out the obligations arising from the Report, the objectives (recommendations) for realising those objectives, the activities arising from the obligations, the carriers of the activities, the time frame for their implementation and the status of realisation

### Short-term/ Medium-term priorities

The Ombudsman will conclude an agreement in the following period

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<sup>10</sup> Association for Criminal Law and Criminology of North Macedonia, Macedonian Association of Young Lawyers and the Helsinki Committee for Human Rights

with the selected civil society organisations that will complete the second component of the external mechanism for civil control. Investigators will be engaged in the Unit for Investigation and Prosecution of Crimes Committed by Persons with Police Powers and Members of the Prison Police in the Basic Public Prosecutor Office for Prosecution of Organised Crime and Corruption in order to strengthen the first component of the external mechanism. A consultative meeting was held with the civil society organisations on the manner of operationalisation of the mechanism following the election of the new Ombudsman.

Amendments to the Law on Interior Affairs and the Law on Police will be adopted in order to meet the GRECO recommendations. A Training Strategy for the employees of the Ministry of Interior will be adopted, and the achieved results from the Police Development Strategy 2016-2020 will be evaluated. The obligations from the Human Resources Management Strategy for the period 2020-2022, the Strategy for Development of the Training Centre for the period 2020-2022 and the Strategy for Inclusion and Communication with the Community for the Period 2020-2022 will be implemented as well.

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# PUBLIC ADMINISTRATION REFORM

## Findings and recommendations from the EC 2020 Report

North Macedonia is **moderately prepared** with the reform of its public administration. **Some progress** was made in improving transparency, with the adoption of the 2019-2021 Transparency Strategy, the operationalisation of the open government data portal and the publication of government finances data. The monitoring reports on implementation of the Public Administration Reform Strategy and the Public Financial Management Reform Programme were produced and accompanied with adequate visibility actions. The public consultation process improved, with an increasing number of comments to draft regulations and greater involvement of civil society in policy-making. Ensuring respect for the principles of transparency, merit and equitable representation remains essential. The State Commission for Prevention of Corruption continued to address cases of nepotism, cronyism and political influence in the process of recruitment of public sector employees. A proper follow up to the reports and recommendations of the State Commission needs to be ensured. In terms of accountability, after a long delay, the heads of the Directorate for Personal Data Protection, the Agency for Free Access to Public Information and the State Audit Office were finally appointed at the end of 2019 and in January 2020. The new government should ensure that the public administration reform remains a priority, demonstrate full respect for the public administration reform principles and follow on the reform efforts of the previous government.

Further efforts are needed to address some of the 2019 recommendations.

The country should, in particular, in the coming period:

- ▶ put in place a legislative framework that ensures full respect of merit-based recruitment for senior civil service and other positions;
- ▶ finalise the horizontal functional review and start implementing it to ensure clear accountability lines between institutions;
- ▶ ensure full implementation of the Law on General Administrative Procedures.

# Strategic framework

## Current situation

The implementation of the **Strategy for Public Administration Reform 2018 - 2022** with an Action Plan (hereinafter: SPAR) continued on the basis of the revised Action Plan from December 2019. An annual **Report on the implementation of the SPAR Action Plan for 2019** was prepared and the preparation of a **Report on 2020** is ongoing.

The Annual Report for monitoring the implementation of the Action Plan for the Programme for Reform of the Public Finance Management for 2019, as well as the Action Plan for 2020, was adopted in July 2020 regarding **public finance management**. The Report on the progress in the implementation of the Action Plan for the implementation of the Programme for Reform of the Public Finance Management for the period January-August 2020 was prepared, which was reviewed at the fifth Dialogue on policies for public finance management in October 2020.

Additionally, a Progress Report on the implementation of the **Policy for Internal Financial Control in the public sector** for the period January-June 2020 was prepared, as well as an Action Plan for the period 2019-2021 of the Policy for Internal Financial Control in the public sector.

## Short-term priorities

The implementation and monitoring of the Public Administration Reform Strategy 2018-2022 with Action Plan will continue, in coordination with the implementation of the Programme for Reform of the Public Finance Management 2018-2021.

The preparation of a new Strategy for Public Administration Reform with an Action Plan will start at the beginning of 2022, whereas the preparation of a new Programme for Reform of the Public Finance Management 2022-2027 will also start at the beginning of 2021, under the coordination of the Ministry for Finance (MF), and it will be adopted by the end of January 2022. The Policy for Internal Financial Control in the public sector with an Action Plan for the period 2019 – 2021 will continue with implementation.



## Medium-term priorities

Implementation will begin of the new SPAR (2023-2026) with Action Plan. The Ministry of Finance and other competent institutions will continue with the implementation of the Programme for Reform of the Public Finance Management for the period 2022 - 2027.

# Policy making and coordination

## Current situation

The General Secretariat of the Government continued to ensure the coordination of the strategic planning process. The **electronic system** for strategic planning and preparation of the *Annual Programme for Work of the Government* (introduced in October 2019) is functional and enables electronic preparation and monitoring of the Annual Programme for Work of the Government, improved planning and transparent and efficient monitoring of the level of implementation.

*The Ministry of Information Society and Administration conducted a series of activities to improve the process of regulatory impact assessment (RIA) and assessment of the implementation of regulations (OSR).* Draft texts of the new Methodology for RIA and OSR, new form and content of the Report for RIA, as well as draft texts of the Manual for RIA and OSR and Training Programme for RIA and OSR have all been prepared.

Activities for methodological and practical support of three ministries have been launched<sup>11</sup> in cooperation with SIGMA in order to improve the quality of the RIA process, which will improve the knowledge about the RIA process, assessment techniques and methods, improvement of RIA implementation skills and improvement of the quality of RIA reports.

## Short-term priorities

A new **Methodology for strategic planning and preparation of the Annual Programme for Work of the Government of the**

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11 Ministry of Justice - Law on Civil Procedure, Ministry of Economy - Law on Concessions and Public Private Partnership and Ministry of Labour and Social Policy - Law on Labour Relations

**Republic of North Macedonia** will be prepared in accordance with the novelties contained in the Law following the adoption of the **new Law on Budgets**. The General Secretariat will conduct trainings for the Ministries and state administration bodies for practical application of the Methodology for Strategic Planning and preparation of the Annual Programme for Work of the Government. **A Methodology will be prepared on the manner of preparation, monitoring of the implementation, evaluation and reporting of the sector strategies** as strategic planning documents, as well as trainings for the Ministries and state administration bodies for practical implementation of this Methodology.

The Government will adopt **a new RIA and OSH Methodology, a new form and content of the RIA Report as well as a new RIA and OSR Manual and RIA and OSR Training Programme**.

The MISA will continue to monitor the implementation and quality of the process and the RIA Methodology, and to prepare *Annual Reports for conducted consultations in the process of preparation of draft laws by the Ministries*. With the support of SIGMA, MISA will continue to implement activities to improve the quality of the RIA process by providing practical support to the Ministries. Additionally, basic and advanced training on RIA will be conducted in order to strengthen the capacities of the administrative officers responsible for implementation of RIA.

## Medium-term priorities

The MISA, as institution competent for coordination of the RIA process, will continue the activities for improvement of this process, as well as for continuous strengthening of the capacities of the civil servants for implementation of the RIA, evaluation of the implementation of the regulation, smooth use of the ENER system and cooperation with the representatives of the stakeholders in the policy-making process.

# Human resource management

## Current situation

The MISA prepared a draft text of the *Law on Senior Management Service* (LSMS) with the support of SIGMA during 2019, which makes a distinction for the first time between the political and professional level in the administration. The activities for

## 1.2

improvement of the legal framework for public service and human resources management (**Law on Administrative Servants - LAS and the Law on Public Sector Employees - LPSE**) continued, which will be harmonised with the draft LSMS.

The activities for improvement and ongoing maintenance of the existing Information System for Human Resources Management (ISCHR) continued, within the Agreement for modernisation of the information system for management of human resources concluded in September 2019. There was an increase of the data entered in ISUCHR by 12.84% until October 2020 by the implementation of the web service for checking the compliance of the employees' data in the public sector institutions in the procedure for calculation of the salary.

### Short-term priorities

The **LAS, LSPS and the LSMS** will be adopted by the Assembly and the **Commission for Senior Management Service** will be established to conduct procedures for appointment of senior managers in order to improve the overall framework for human resources management in the public sector.

**An Academy for Training and Development will be established**, as a body within MISA, for a comprehensive, sustainable and stable system for training and development of administrative staff, senior managers and all other groups of employees in the public sector.

The activities for modernisation of **ISCHR** will continue. More specifically, the Report Module for all public sector employees will be implemented by migrating data for this module, as well as the Process Management Module. Trainings will be organised for the authorised employees of the institutions to work with the new ISCHR.

The methodology for collecting data on the payroll system in the state administration and the public sector and a comparative analysis of the payroll system in the public administration and the public sector in selected EU member states, preparation of a new **Law on Salaries for the Public Sector** will be initiated based on the analysis of the legal framework of the public sector payroll system.

### Medium-term priorities

Promotion of public services, better contribution to the modernisation of the state administration and strengthening of the good governance as an immanent principle of work in the public administration, the implementation of the LSMS will continue in order to differentiate between the political and professional level. The implementation of LAS and LSPS will continue towards full





implementation of transparent procedures for employment and merit based promotion, through an improved concept of recruitment planning and efficient transfer list and mobility procedures.

The Agency for Administration will be actively publishing Reports on the procedures for recruitment and promotion of administrative staff.

The Academy for training and development will have complete staffing, including technical conditions and human resources, and shall operate properly. Continuous training will be provided for administrative staff, senior managers and all other groups of employees in the public sector.

One of the important priorities in this period will be to increase the number of institutions beneficiaries of the payroll calculation module as well as the use of human resource business processes.

The adoption of the **new Law on Salaries for the Public Sector shall be** envisaged in the medium term.

# Transparency and accountability

## Current situation

The IPA project for support of the state reorganisation started in November 2019. The horizontal functional analysis was completed in half of the institutions that are part of the project and draft proposals were prepared for organisational frameworks of policy areas which are under the responsibility of three ministries: Ministry of Information Society and Administration, Ministry of Transport and Communications and Ministry of Economy.

MISA continued to support the institutions and the citizens regarding the principles of the law, through the "Information Point for LGAP" in view of the implementation of the LGAP. At the same time, the implementation of joint trainings for all authorised persons

for conducting the administrative procedure continued, based on the Memorandum of Cooperation between MISA, the Ministry of Justice and the Academy for Judges and Public Prosecutors which were continuously conducted during 2019.

The implementation of the IPA project "Promotion of transparency and accountability of the public administration" started in January 2020. A functional analysis and a new Systematisation were prepared for the Agency for Protection of the Right to Free Access to Public Information (APRFAPI), in order to strengthen its capacities. The *Report on Measuring Public Awareness regarding the Free Access to Public Information* was presented. Training of trainers was conducted with the support of USAID for the employees of AZPSPJK for implementation of the novelties from the Law on Free Access to Public Character Information. The list of information holders was updated according to the new Law on Free Access to Public Character Information, bringing the total number of information holders to 1,418. A curriculum and training plan for the holders of public information from Skopje were prepared. The **Guidelines for implementation of the Law on Free Access to Public Character Information** (Official Gazette No. 60/2020) were adopted, the main goal of which is the proper implementation of the Law. A **Rulebook on the form and content of the misdemeanour payment order was prepared** (Official Gazette No. 177/2020) as well as **internal instructions for misdemeanour procedure for the members of the Misdemeanour Commission** in AZPSPJK. The Misdemeanour Commission received and acted on several misdemeanour cases, issued a warning in two of the cases, and two cases were released from sanction.

The State Commission for Prevention of Corruption (SCPC) adopted the **National Strategy for Prevention of Corruption and Conflict of Interest with an action plan for its implementation for 2020-2024** in January 2020 and submitted it to the Assembly of North Macedonia for adoption. The previous composition of the Assembly did not review and adopt the National Strategy due to the early parliamentary elections, and because of that the SCPC started updating the National Strategy with a focus on the deadlines provided in the Action Plan, after which it will submit it to the Assembly for adoption. The Strategy was finally adopted at the 32nd session of the Assembly held on 18 April 2021.

**A Comparative Vulnerability Analysis on Corruption, an assessment of employment practices and procedures with a particular focus on nepotism, cronyism, and clientelism** was prepared, as well as a **Report with recommendations for future action**. Work started on preparation of a draft concept for development of a system of integrity in local self-government.

A series of activities were carried out to strengthen the human and IT capacities of the SCPC, including: trainings for the employees in the Unit for Anti-corruption Verification of the Legislation and **upgrading of the Methodology for anti-corruption review of the legislation**. SCPC also implemented activities with donor support for strengthening of the public awareness on the importance of the ethical behaviour and integrity, as well as on anti-corruption education of high school students. **Videos appropriate for the age of the students, Manual for Teachers and Manual for High School Students** were prepared as well.

## Short-term priorities (2021-2022)

The activities within the IPA project "Support for State Reorganisation" will be finalised. *Reports from the conducted horizontal functional analysis will be prepared, as well as proposals for a new organisational set-up.* The **Law on Organisation of the State Administration Bodies** will be adopted and the harmonisation of the special laws will begin, as well as the preparation of the amendments to the Rules of Procedure of the Government of the Republic of North Macedonia. A special methodology for regulatory impact assessment (RIA) for creation/ merger/ abolition of new institutions will be developed.

At the same time, **Reports from functional analysis of the local self-government** (piloted in six municipalities) will be prepared as well, with recommendations on the required number and types of institutions per municipalities, by population, including the regional units of the following departments: health, agriculture and forestry, education, labour and social policy, information society and others.

The joint trainings for all authorised persons for conducting the administrative procedure will continue, based on the Memorandum of Cooperation between MISA, the Ministry of Justice and the Academy for Judges and Public Prosecutors.

A new **Law on the System of Internal Financial Control in the Public Sector** will be adopted in order to regulate the managerial accountability in the public sector institutions.

AZPSPJK during 2021 - 2022 will continue to act in accordance with the competencies delegated in the **Law on Free Access to Public Character Information** in order to exercise the **right to free access to public information**.

The APRFAFI will continue to provide ongoing support and consultation to information holders in their handling of requests for free access to public character information, as well as to information seekers.



IT tools and web modules will be developed for modernisation of the statistical data in APRFAFI and 10 trainings will be conducted for the information holders, officials and responsible managers of institutions at local and regional level. Activities will be carried out to raise the public awareness about the right to free access to public character information.

The SCPC will start activities for development of software to monitor its implementation following the adoption of the National Strategy for Prevention of Corruption and Conflict of Interest by the Assembly.

Proposals will be prepared for **improvement of the control systems** in terms of **anti-corruption policies**, including legal amendments, development of **relevant procedures for exercising discretionary powers and procedures** that will ensure transparency in the application of discretionary powers, including preparation of recommendations and guidelines for integrating the procedures into the institutional system of procedures (enabling internal audit and control). The activities for analysis of the laws and other regulations that provide for discretionary powers of the officials, established by a decision of the Deputy Prime Minister in charge of fight against corruption and crime, sustainable development and human resources, will continue.

A campaign will be conducted to strengthen the awareness of the citizens about integrity, whistle-blowing, anti-corruption; software solutions will be developed to improve the work of the SCPC and the communication with other institutions; improved implementation of the Law on Whistleblowers and introducing system of integrity in the institutions at central level.

The implementation of the integrity system at the local level will continue in 5 municipalities, and trainings will be provided for 15 municipalities, including promotion of a **Public Policy Document for incorporating the gender aspect in the implementation of anti-corruption policies and development of an action plan for implementation and monitoring**.

A project shall commence that was programmed within IPA 2020, with activities to strengthen the mandate of the SCPC, improved verification and control of the property lists of elected and appointed persons, implementation of the Law on Lobbying and Restriction of Gifts, improving transparency in financing political parties, prevention of corruption in public procurement procedures.

## Medium-term priorities

The new organisational set-up of the state administration bodies, agencies and inspection services will establish a clear distinction between institutions and their roles as policy makers (Ministries), policy implementers (Agencies), law enforcement oversight (Inspectorates) and regulators (Regulatory Bodies). Competencies and clear lines of accountability of the institutions will be determined, in order for the institutions to work more efficiently and effectively and to provide services to the citizens. The framework for exercising discretionary powers will be strengthened by developing and establishing procedures and criteria for decision-making in accordance with internal control systems in order to enable these rights to be subject to internal and external audit and subject to supervision by independent institutions, such as the Ombudsman or the State Audit Office.

**A Rulebook on the manner of application of the managerial accountability and the principles of delegation of competencies and responsibilities in the implementation of key financial management processes** will be prepared based on the new Law on the System of Internal Financial Control in the Public Sector.

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The MISA will continue to constantly monitor the implementation of the LGAP and provide support to institutions and citizens through the LGAP Information Point. Depending on the current application of the Law, MISA will prepare appropriate proposals and guidelines in order to improve its implementation.

The implementation of joint trainings for improving the implementation of the LGAP will continue, in accordance with the Memorandum of Cooperation between MISA, Ministry of Justice (MP) and the Academy for Judges and Public Prosecutors.

The improvement of the proactive transparency of the institutions and the increase of data sets available on the open data portal will continue. AZPSPIJK will continue to improve the cooperation with related institutions on national and international level, with the existing and new potential partners through realisation of projects and activities and execution of legally determined competencies.

The SCPC will continue with the activities for monitoring of the implementation of the National Strategy for Prevention of Corruption and Conflict of Interest. In accordance with the activities within IPA 2020 – EU in support of the rule of law, their realisation will continue according to established dynamics and prioritisation.

# Service delivery

## Current situation

The number of electronic services available on the National Portal for e-services increased in 2020, as follows: applying for enrolment of a training provider in the list of digital skills training providers; applying for young people for vouchers for digital skills training; applying for a movement permit by legal entities during a travel ban, for their employees; applying for a movement permit during a ban for natural persons. E-services for individuals were connected to the Central Population Register. At the same time, **Standards for service delivery, Methodology for involvement of end users in the process of development and modification of services and Guidelines for optimisation of services (reengineering)** were developed.

The establishment and equipping of business premises - Service Centres, that are visually recognizable and branded as "Single Point of Service" (SPS), through which the citizens are able to receive services and information from various state and public institutions at a single point. The service centre in Skopje was transformed in accordance with the new concept of visual branding, ETU in Tetovo was opened, and the construction works for equipping of the ETUs in Ohrid, Kumanovo, and Bitola are being finalised.

The Central Registry has introduced a Register of Beneficial Owners for the purpose of structural identification and verification of the identity of the beneficial (real) owners pursuant to the Law on the Prevention of Money Laundering and Financing of Terrorism. This Register will provide a clear overview of ownership in the business sector and will contribute to increased security of the legal transactions in the country. Company owners will have to enter ownership data for all legal entities in the country and abroad – primarily offshore companies.

## Short-term priorities

There will be continuous work on increasing the number of electronic services available on the National e-services Portal. The National Portal will provide **functionality for identification and**

**authentication of legal entities**, which will enable the provision of e-services **at a single place for both citizens and businesses**. Work will be carried out on development of new e-services or integration of existing ones: enrolment of children in kindergarten, enrolment of children in primary school, verification of foreign diplomats, pupil and student scholarships, scheduling for services and the like. 85 new e-services for citizens and businesses will be developed with the support of a project in the framework of IPA 2017, which will be available on the National e-services portal, and the **registers that are not in electronic form** and are needed for the new e-services **will be digitised**. A **methodology for measuring the quality of the delivery for e-services** will be developed **by building institutional capacities for Digitalisation of services** (development, planning, maintenance, delivery, upgrade, etc.).

An electronic inspection system "E-inspector" will be established, which will enable electronic connection and operation of all 28 inspection services, and which will reduce the subjective influence of the inspector during supervision.

Two new SPS centres will be opened in the period from 2021 to 2022.

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## Medium-term priorities

There will be continuous activities on increasing the number of electronic services for citizens and businesses, available on the National e-services portal. Registers that are not in electronic form and are needed for the new e-services of the National Portal will be digitised. Additionally, the developed Methodology for measuring the quality of delivery of the e-services will be piloted by building institutional capacities for Digitalisation of services (development, planning, maintenance, provision, upgrading, etc.) in 5 institutions, and recommendations will be provided for improvement and future use.

SPSs will be opened in all cities in the period from 2023 to 2025 that have more than 25,000 inhabitants, in order to be available to the citizens and on the entire territory of the country.

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# JUDICIARY AND FUNDAMENTAL RIGHTS

## Findings and recommendations from the EC 2020 Report

The country **has some level of preparation/ is moderately prepared** to apply the EU acquis and European standards in this area. Overall, **good progress** has been made, including through strengthened judicial independence and addressing instances of police impunity. New reforms have been adopted, including the Law on the Public Prosecutor's Office, ensuring accountability for the crimes arising from and surrounding the illegal wiretaps. The implementation of previously adopted measures under the judicial strategy is under way. The State Commission for Prevention of Corruption has used its reinforced powers and continued to deliver results, including on high-level cases. Corruption is prevalent in many areas and remains an issue of concern. There was limited progress on fundamental rights. As of the legal and policy framework, following its repeal by the Constitutional Court, the priority for the new legislature will be to re-adopt the Law on Prevention and Protection against Discrimination and establish the Commission for Prevention and Protection against Discrimination. The Ombudsman's Office has additional staff and funding to exercise its role. Sustained efforts are needed to further improve the human rights situation in practice. It is essential to complete the appointment of members of independent and regulatory bodies based on merit. The functional independence of these bodies must be guaranteed at all times, including through appropriate allocation of funds.

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# FUNCTIONING OF THE JUDICIARY

## Findings and recommendations from the EC 2020 Report

The judicial system of North Macedonia has **some level of preparation/is moderately prepared**. There was **good progress** in the implementation of the judicial reform strategy, thereby addressing the 'Urgent Reform Priorities' and recommendations from the Venice Commission and the Senior Experts' Group on systemic Rule of Law issues. Efforts are still needed to ensure systematic implementation of the updated action plan of the judicial reform strategy. Judicial institutions are implementing new rules for appointment, promotion, discipline and dismissal of judges and the Judicial Council has been exercising its role more pro-actively. As a result of its reform efforts in recent years, North Macedonia has established mechanisms to ensure judicial independence and accountability, such as rules on merit-based appointments, checking assets and conflicts of interest and disciplinary procedures. It should ensure their determined and consistent use before envisaging further changes in this area. The Law on the Public Prosecutor's Office entered into force in June 2020. The purpose of the law is, inter alia, to ensure a sustainable solution for the cases of the Special Prosecutor's Office and to establish accountability for the crimes arising from and surrounding the illegal wiretaps. The revised Law on the Council of Public Prosecutors was also adopted. Effective implementation of the legal framework as well as increased efforts by all stakeholders to demonstrate their exemplarity will contribute to increasing public trust in the judiciary.

In the coming year, the country should, in particular:

- ▶ continue the consistent implementation of the judicial reform strategy and the updated action plan in an inclusive manner, and demonstrate firm commitment to the independence of the judicial system, shielding it from any risk of political interference, including by using available mechanisms to verify the professionalism and integrity of judges and prosecutors;
- ▶ finalise and start implementing the human resources strategies for the judiciary and prosecution, and improve the automated court case management information system (ACCMIS) to ensure that it is fully functional and reliable;
- ▶ continue implementing the new legal framework related to reform of the Judicial Council and the Council of Public Prosecutors and the new law on the Public Prosecutor's Office.

## Current situation

*The Judicial Sector Reform Strategy 2017-2022* and *the ICT Strategy* in the judicial system are continuously implemented. In December 2020, the Council for Monitoring of the Implementation of the Judicial Sector Reform Strategy held an online meeting at which the Report for the period 2019-2020 was adopted.

The Judicial Council adopted the Strategy for Management of Human Resources in the Judiciary in November 2020, while in December the Public Prosecutor of the Republic of North Macedonia adopted the Strategy for Human Resources in the Prosecution<sup>12</sup>.

The Judicial Council elected five new members (three from the Assembly and two members in direct elections by the judges, one from the minorities and one from the ranks of judges from the appellate area of Bitola) in 2020. The Judicial Council elected 14 judges in the basic courts, 6 judges in the Courts of Appeal, 4 judges in the Supreme Court and 5 presidents of courts<sup>13</sup> in 2020. The Judicial Council elected six judges on 22 April 2021 from the sixth generation of candidates of the Academy for Judges and Public Prosecutors.<sup>14</sup>

The Council of Public Prosecutors elected four new members in June 2020 from the ranks of the Higher Public Prosecutor's Offices (BPPO) in Bitola, Gostivar, Skopje, as well as from the special list of candidates for public prosecutors belonging to all non-majority communities in the country with election sites as for the general list. In 2020, the Council of Public Prosecutors elected 3 public prosecutors in the Basic Public Prosecutor's Office (BPPO) Skopje from among the graduates of the Academy for Judges and Public Prosecutors (AJPP).

The Council of Public Prosecutors elected five public prosecutors in the Basic Public Prosecutor's Office for Prosecution of Organised Crime and Corruption and five public prosecutors in the Higher Public Prosecutor's Office in Skopje on 22 April 2021.

The Judicial Council adopted a new Rules of Procedure, as well as a Rulebook on the manner of ranking of candidates for judges from the Academy for Judges and Public Prosecutors (AJPP), a Rulebook on the manner of ranking of candidates for election of judges in a higher court, the Methodology for evaluating the work of a judge based on compliance with the qualitative criteria for judicial work and the Methodology for qualitative evaluation of the Presidents of

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<sup>12</sup> The Strategy for Human Resource Management in the Judiciary was adopted on 11 November 2020 by the Judicial Council. The Strategy for Human Resources Management in the Prosecution was adopted with the Public Prosecutor of the Republic of North Macedonia.

<sup>13</sup> Twelve judges in the basic courts from the candidates from AJPP, 2 judges were elected from one basic court to another by horizontal reassignment, 6 judges were elected in the Court of Appeals (CA) Skopje, 4 judges were elected in the Supreme Court, presidents of courts (CA Bitola, Basic Court (BC) Strumica, BC Radovish, BC Ohrid and BC Kochani).

<sup>14</sup> Three judges in the Basic Criminal Court Skopje and 3 judges in the Basic Civil Court Skopje.

the courts. The Council of Public Prosecutors adopted new Rules of Procedure in October 2020.

The Plan for Supervision of the ACCMIS system for 2020 was amended and, by the end of the year, supervision of 9 courts has been planned due to COVID-19 situation. The second semi-annual report from the supervision of the functionality of the ACCMIS system for the period September-December 2019 was adopted in April this year.

The new Law on Court Case Management<sup>15</sup> started with implementation since May 2020. It envisages protective measures for smooth functioning of the system with mandatory use of ACCMISS in assigning and managing cases.

The implementation of the new Law on Public Prosecution started<sup>16</sup> on 30 June 2020, including the amendments to the Law on the Council of Public Prosecutors<sup>17</sup>.

The initial training for the seventh generation of 60 trainees of AJPP started on 16 September, and the competition for the eighth generation of 97 trainees was published.

The average efficiency rate in 2020 is 99.44%. The average case resolution time in 2020 is 81.96 days.

In terms of procedures for unprofessional and negligent performance of the judicial function, in 2020:

- five judges were dismissed by the Judicial Council
- the first instance decisions of the Judicial Council were confirmed for 5 judges by the Appeals Council at the Supreme Court of the Republic of North Macedonia;
- a written reprimand was issued for 1 judge;

Three judges were dismissed by the Judicial Council in the period January-March 2021, bringing the total number of judges dismissed by the Judicial Council in the last three years to 12 judges.

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15 Official Gazette No. 42/2020 from 16.02.2020

16 Official Gazette No. 42/2020 from 16.02.2020

17 Official Gazette No. 42/2020 from 16.02.2020

## Short-term priorities

### Legal framework

*The Council for Monitoring of the Implementation of the Strategy for Reform of the Judicial Sector (2017-2022)* will continue to hold

sessions for monitoring the implementation of the Strategy, the implementation of the adopted systemic laws (amendments to the Law on Courts, the new Law on Judicial Council, the new Law on the Public Prosecutor's Office and the amendments to the Law on Council of Public Prosecutors), the amendments to the laws in the area of judiciary and various other activities (for example, track record of disciplinary proceedings), as a basis for increased trust of the citizens in the judicial system. An annual report on the implementation of the Strategy will be prepared as well. The ICT Council will monitor the implementation of the Information and Communication Technology Strategy. The Judicial Council and the Public Prosecutor's Office will start with the implementation of the Strategies for Human Resource Management in the Judiciary, i.e. the Prosecution.

A new *Criminal Code* will be prepared and adopted in order to harmonise the penal area with the latest European directives and international standards in that area, as well as to redefine the penal policy in prescribing penalties for criminal offenses.

A new *Law on Criminal Procedure* will be adopted for the purpose of further harmonisation with the new directives in the area of criminal law, for further specifying of the provisions regarding the determination, extension and abolition of the measure of detention, and for the provisions on plea bargaining and other amendments.

A *Law on Payment of Financial Compensation to Victims of Violent Crimes* will be adopted in 2021. The legal solution will be fully harmonised with several directives of the European Union and international acts<sup>18</sup>.

The supervision over the work of the courts will continue in 2021 in terms of implementation of the ACCMIS system, for which two semi-annual reports will be prepared. Amendments to the Rules of Procedure of the court will be prepared in order to achieve harmonisation with the new Law on Management of Movement of Cases in the Courts and the processes of Digitalisation of the judiciary.

34 courts and over 120 courtrooms will be digitalised, and amendments will be made in the procedural laws in order to enable holding of online trials according to the Plan for Digitalisation of the judiciary for 2021, adopted on 20 April 2021 by the Government.

The new *Law on the Academy for Judges and Public Prosecutors* will be adopted, which implements many of the recommendations

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<sup>18</sup> Council Directive 2004/80/EC from 2004 on the compensation of the victims of crime; Directive 2011/36/EU of the European Parliament and of the Council from 2011 on the prevention and combating of trafficking in human beings and protection of victims; Directive 2012/29/EU of the European Parliament and of the Council from 2012 establishing minimum standards for rights, support and protection of victims of crime; and Recommendation Rec (2006) 8 of the Committee of Ministers of the Council of Europe to the member states on assistance to victims of crime.



of the Judicial Training Evaluation Mission.

A new *Law on Advocacy* will be adopted in the second quarter of 2021 in order to strengthen the legal profession, followed by preparation of an analysis of the situation with the application of the legal tariff

A new *Law on Advocacy* will be adopted in the second quarter of 2021 in order to strengthen the legal profession, followed by preparation of an analysis of the situation with the application of the legal tariff from 2016, in order to detect problems by surveying customer satisfaction in terms of quality and costs of the legal services.

A new *Law on Mediation* will be adopted in order to increase the use of mediation, as an alternative way of resolving disputes. The new law, under certain conditions, will allow subsidising of part of the costs for mediation. Promotional forums will also be organised intended to promote mediation and its benefits, as an alternative way of resolving disputes.

Activities will continue in 2021 on the reform of the civil legal system, which is part of the Strategy for Reform of the Judicial Sector (2017-2022). In that regard, a new *Law on Civil Procedure* and a new *Law on Obligations* will be adopted, which will be harmonised with all the latest directives in the area, a new *Law on Property and Other Real Rights*, as well as modernisation of the system of inheritance by adopting a new *Law on Inheritance*. In order to improve the expertise system, a new *Law on Expertise* will be adopted.

Amendments will be made to the *Law on Judicial Service* and the *Law on Public Prosecution Service* in order to regulate the rights, obligations and responsibilities, as well as to improve the position of judicial and public prosecution officers. The bylaws for these two laws will be adopted for the purpose of full implementation of the Law on Public Prosecution and the Law on the Council of Public Prosecutors.

A new *Law on Court Budget* will be adopted in order to resolve the weaknesses identified in the existing Law, as well as to consistently comply with the legal obligation for percentage allocation of funds from the Budget for financing of the judicial system. Finally, a new *Law on Salaries in the Judiciary and the Constitutional Court is planned to be adopted*, which will resolve the problems regarding the salary supplements of judges and prosecutors.

The Judicial Council will adopt a Methodology with indicators of complexity of cases and a Rulebook for evaluation of judges and court presidents<sup>19</sup>.

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<sup>19</sup> Prepared with support from the Kingdom of Netherlands, implemented through the Centre for Legal Research and Analysis and in coordination with the IPA project for support of the reforms in the area of judiciary



The monitoring of efficiency of the work of the courts based on the indicators (rate of resolved cases and time required for resolving cases) will continue.

Work will be done on strengthening the human and financial resources of the Council of Public Prosecutors, necessary for smooth execution of its tasks, as well as on strengthening the capacities of staff in the courts and prosecutor's offices. The Judicial Council and the Council of Public Prosecutors will continuously report on the procedures for selection, promotion and unprofessional and negligent performance of the judicial or prosecutorial function and disciplinary responsibility, with detailed explanations of their decisions.

The Academy for Judges and Prosecutors will continue to conduct the initial training for the seventh generation of trainees, and will also complete the admission procedure and begin the initial training of the eighth generation of trainees at the Academy. The implementation of continuous training for judges, public prosecutors and officers in courts and in public prosecution offices will continue.

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## Medium-term priorities

The implementation of the Strategy for Reform of the Judicial Sector (2017-2022) and the Strategy for Information and Communication Technology in the Judiciary (2019-2024) will continue to be monitored. A procedure will be initiated to upgrade the computer system for managing court cases, and the system for managing cases in the Prosecution. There will be continuous work dedicated to increasing of the court budget and the budget of the Public Prosecutor's Office.

A case management system will be established in the Constitutional Court.

# ANTICORRUPTION POLICY

## Findings and recommendations from the EC 2020 Report

North Macedonia **has some level of preparation/is moderately prepared** in the prevention and fight against corruption.

**Good progress** has been made as the country consolidated its track record on investigating, prosecuting and trying high level corruption cases. The State Commission for Prevention of Corruption has been particularly pro-active in preventing corruption and opened a high number of cases, including those involving high-level officials from across the political spectrum, in line with last year's recommendation. Efforts continued to move forward with the Special Prosecutor's Office cases, thereby establishing accountability for the illegal wiretaps. The so called 'racket' case has raised serious concerns. The former Chief Special Prosecutor was convicted in June 2020 in the first instance verdict. After expiry of the mandate of the prosecutors of the Special Prosecutor's Office, cases were transferred.

In the coming year, the country should, in particular:

- ▶ implement the new legislation transferring some of the prerogatives of the former Special Prosecutor's Office to the Office of the Public Prosecutor for Prosecuting Organised Crime and Corruption and regulating the status of the wiretaps so that accountability for the crimes arising from and surrounding the wiretaps continues;
- ▶ increase the track record of final convictions in high-level corruption cases including by further confiscating criminal assets;
- ▶ demonstrate political will to fight corruption by supporting relevant bodies with further financial and human resources and by providing clear policy guidance to all state institutions on how to tackle corruption in line with the State Commission for Prevention of Corruption's recommendations.

## Current situation

An assessment of the compliance of the Law on Protection of Whistleblowers with the EU Directive 2019/1937 and the Council of Europe Recommendation CM/REC (2014) 7 was launched<sup>20</sup> in 2020. The Assembly adopted the "National Strategy for Prevention of Corruption and Conflict of Interest with an Action Plan for its implementation (2021-2025)" in April 2021. The SCPC was granted IT equipment and new facilities were provided, with a total area of 2,429.5 m<sup>2</sup>, by a decision of the Government. The SCPC approved MKD 48.9 million by a decision of the Government from 22 December 2020 for procurement for development of a Register of elected and appointed persons, electronic submission of asset and interests declaration, their publication, system for collection of data from other institutions, their processing, document management module and maintenance of the entire system. Consent was obtained for publishing public competitions and, in accordance with the Annual Plan of the SCPC, a public competition for employment of 8 administrative employees was published on 8 April 2021, where the recruitment procedure is ongoing. Additionally, promotion of seven current employees is envisaged. The budget of the SCPC for 2021 is significantly increased compared to previous years and amounts to MKD 60.9 million (compared to MKD 37.7 million in 2020 and MKD 35.6 million in 2019).

A total of 418 reports on the existence of elements of corruption were submitted to the SCPC by citizens in 2020, legal entities and others, of which decisions were made in 378 cases. The SCPC has raised an initiative for criminal prosecution to the Public Prosecutor's Office for 2 cases, while in 11 cases an initiative for determining the responsibility of managers and officials has been submitted to the competent institutions. Last year, 6 reports were submitted to the SCPC by whistleblowers, in 1 case a decision was made to reject the application, in 2 cases the SCPC determined that it has no legal authority to act and they were forwarded to the Ombudsman and the Ministry of Interior as competent institutions for taking the cases further, and for the other 3 reports the proceedings are ongoing<sup>21</sup> 1 case was reassigned to a regular procedure of the SCPC, in accordance with the SCPC at the request of the applicant. In 1 case 2 Initiatives were submitted against the reported person for determining responsibility<sup>22</sup> and for 1 case indication was submitted with guidelines for action to the manager of a state institution indicated in the application in order to take specific measures and

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<sup>20</sup> EU-CoE Project against economic crime.

<sup>21</sup> In 13 cases it was determined that the allegations were not confirmed while in 2 cases it was determined that the SCPC has no legal competence.

<sup>22</sup> An Initiative for determining his responsibility to the Government and submitted an initiative for pressing criminal charges against the same person to the Basic Public Prosecutor's Office Skopje.

actions. For the other 2 cases the procedure is ongoing.

The SCPC inspected the asset declarations according to the Annual Plan for 2020 of all presidents of basic and appellate courts, and of former public prosecutors in the Special Public Prosecutor's Office, out of which 42 cases were established<sup>23</sup>: 27 for judges, 4 for presidents of appellate courts and 11 for former public prosecutors in the Special Prosecutor's Office. The SCPC adopted the Annual Operational Report for 2019 in June 2020. The SCPC also acted on cases in the area of prevention of corruption during the early parliamentary elections 2020<sup>24</sup> and it submitted to the Assembly in October 2020 a special report on the identified abuses related to financing of the election campaign – Early elections for members of the Assembly for 2020.

The State Audit Office (SAO) initiated proceedings in 2020 before the Ministry of Justice against 13 political parties that failed to submit annual accounts, annual financial report and report from the Register of received donations for 2019, and a measure was imposed – suspension of payment of the regular annual financing.

A Deputy Prime Minister in charge of fight against corruption and crime, sustainable development and human resources was appointed for the first time in September 2020 in the new composition of the Government and a new Code of Ethics for the members of the Government and holders of public office appointed by the Government was established.

The Action Plan for Fight against Corruption was adopted in March 2021, with the following activities:

- Staffing and Digitalisation of the Public Prosecutor's Office, as well as the investigation centres in the basic public prosecutor's offices;
- Harmonisation of the legislation in the area of Digitalisation, as a mechanism in the fight against corruption;
- Increased use of the National Interoperability Platform for the needs of the competent authorities for fight against corruption;
- Amendments to the Law on Prevention of Corruption and Conflict of Interest;
- Appointment of an authorised person for receiving reports from whistleblowers; and
- Preparation of an annual anti-corruption programme.

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<sup>23</sup> 6 cases were closed and there is no basis for further action, for 10 cases a misdemeanour procedure was initiated for not submitting an asset declaration and a form for change of the property status. In addition, no property that has been disproportionately increased has been determined for these cases and for 2 cases a conclusion has been reached for initiating a procedure for examination of the property status. The proceedings in the other 24 cases are ongoing.

<sup>24</sup> The following were submitted to the SCPC: 5 complaints from participants in the election campaign for violation of the Electoral Code and the Law on Prevention of Corruption and Conflict of Interest, 6 complaints that SCPC treated the cases as regular cases because they were not submitted by the organiser of the election campaign, 21 reports from citizens, political parties and other entities in which there were suspicions of violations of the same laws and 1 case built on its own initiative by the SCPC.

A new Code of Ethics has been adopted for the members of the Government and holders of public functions in order to ensure compliance with the constitutionality, legality, professional integrity, efficiency, loyalty, accountability and transparency. More than 300 appointed officials have signed the Code. The Code of Ethics will be applied to all officials indiscriminately.

The implementation of the GRECO recommendations in the fight against corruption by the competent institutions was noted and progress was noted as well, so that in the Interim Compliance Report of the Fourth GRECO Evaluation Round, the country left the group of countries with a status of "globally unsatisfactory".

## Short-term priorities

### Legal framework

A *Law on Lobbying* will be adopted, which regulates the lobbying at the legislative and executive authorities at central level, in order to implement the GRECO recommendations from the fourth and fifth rounds of evaluation and harmonisation with the recommendation of the Council of Europe CM/Rec (2017). The further implementation of the remaining GRECO recommendations will continue, in accordance with the new deadline, for which a Report will be submitted to GRECO by the end of September 2021. Activities will begin during 2021 for preparation of an application/software for monitoring the *National Strategy for Prevention of Corruption and Conflict of Interest*, SCPC, with the support of the IPA 2017 project "Strengthening of transparency and accountability of the public administration"<sup>25</sup>.

Activities will continue on preparation and implementation of a new software solution for the *Register of elected and appointed persons*, electronic submission of a form for property status and interests, their publication, module for collecting data from other institutions through the national interoperability platform for automatic verification of the property status and interests and document management module. The cooperation with the OSCE Mission in Skopje in 2021 will continue towards the implementation of the integrity system at local level (5 municipalities are planned) and providing training for the municipalities (15 municipalities).

The SAO will continue to monitor the work of the political parties. When it comes to financial reports of the participants in the election campaign, the SAO will prepare a final overview of the systemic weaknesses identified and will submit it to the Ministry of Justice, the Government, other competent authorities and the International Foundation for Electoral Systems - IFES. In doing so, it will take into

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<sup>25</sup> The following activities will be implemented within the project: Development of a communication portal that will provide connection for the SCPC with about 1,300 institutions at local and central level, improved implementation of the Law on Whistleblower Protection by establishing a tool for protected electronic reporting, introduction of e-archive and document management system (DMS), development and implementation of a mobile application for informing, surveying and public awareness raising, development of a software solution for anti-corruption review of legislation and development of a software solution for monitoring the implementation of the system integrity in the central level institutions.

account the Report on the situation of the SCPC in relation to the early Parliamentary elections conducted in 2020 and the Report on the situation and given recommendations of the OSCE/ ODIHR on the election process.

Activities will be carried out during 2021 and 2022 to improve the mechanisms for protected reporting and whistleblower protection by harmonising the Law on Whistleblower Protection with the EU Directive 2019/1937 and conducting training activities for persons authorised to receive whistleblower reports, including strengthening of the public awareness in the area. Activities will be implemented within the EU-RAI Project for strengthening the policies and culture for protected reporting and protection of whistleblowers in the Western Balkans and Moldova<sup>26</sup>.

*A Strategy of the Agency for Protection of the Right to Free Access to Public Character Information* (2021-2025) with an Action Plan will be adopted by the end of the first half of 2021.

The implementation of the Action Plan of the Strategy of the Agency for Protection of the Right to Free Access to Public Character Information (2021-2025) will commence as well.

## Medium-term priorities

The SCPC will continue with the activities for monitoring the implementation of the National Strategy for Prevention of Corruption and Conflict of Interest with an Action Plan (2021-2025). The implementation of the GRECO recommendations from the Fifth Evaluation Round will be monitored.

The SAO will continuously monitor the work of the political parties, as well as the actions of the organisers of election campaigns and will undertake measures and activities in accordance with the competencies determined by law. Continuous training of state auditors will be continued in order to strengthen the capacities of the SAO, specifically in the Department for Audit of Political Parties.

Continuous activities will be undertaken in order to improve the anti-corruption legal framework, strengthening of the institutional integrity, institutional upgrade, maintenance and improvement of the technical capacities of the Financial Intelligence Unit (FIU), maintenance of an efficient system of inter-institutional and international cooperation in order to ensure the effectiveness of the system for anti-money laundering and against financing of terrorism.

A full functionality of the digital connection of the SCPC with other institutions will be ensured for the purpose of proper and facilitated

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<sup>26</sup> The project will be implemented until 2023. Beneficiary institutions of this project are the Ministry of Justice, the State Commission for Prevention of Corruption and the Ministry of Education and Science.



work of the SCPC, and in the context of the need to centralise anti-corruption prevention measures, and in the context of the new enlargement methodology.

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# FUNDAMENTAL RIGHTS

## Findings and recommendations from the EC 2020 Report

The legal framework on the protection of fundamental rights **is largely in line** with European standards. The deinstitutionalisation process is under way and resettlement of children to community based care is being carried out. The Ministry of Labour and Social Policy is investing in community services, including supporting victims of gender-based violence. It is essential that these services continue to be made available.

Additional efforts are needed to address recommendations of European and international human rights bodies, particularly regarding the treatment of detained and convicted persons. The Constitutional Court's decision to repeal the Law on Prevention and Protection against Discrimination on procedural grounds means that the country currently lacks a comprehensive legal framework on non-discrimination and an equality body. This serious gap needs to be addressed by the new legislature. It is also important for the country to enhance implementation of the legislation on hate speech and of the national action plan for implementation of the Istanbul Convention.

While the set-up of the external oversight mechanism of the police is complete, the absence of genuinely independent investigators may impede the work of the unit to effectively address police impunity. The country should take urgent measures to further improve the situation in prisons and to support alternatives to detention.

In the coming year, the country should, in particular:

- ▶ swiftly re-adopt the Law on the Prevention and Protection against Discrimination, ensuring it is in line with the EU acquis and European standards on non-discrimination and that provisions of the previously adopted law, including the list of protected grounds, be preserved, and establish the Commission for Prevention and Protection against Discrimination;
- ▶ accelerate efforts to address recommendations of international monitoring bodies, notably with regard to the rights of persons in detention/prison; promote, protect and guarantee rights of persons with disabilities, children, and women;
- ▶ improve community services to identify children at risk and to support children victims of violence, Roma<sup>27</sup> children and adults, and children with disabilities, including by improving inter-agency cooperation.

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<sup>27</sup> In accordance with the terminology of the European institutions, the protective term "Roma" is used here to describe several different groups, without negating the specificities of those groups

## EUROPEAN COURT OF HUMAN RIGHTS (ECtHR)

### Current situation

The country's *Fourth Periodic Report* was prepared under the *Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment* in June 2020. The MFA organised a roundtable discussion on the EU Fundamental Rights Agency (FRA) 2020 Report in July 2020. An overview of the status of implementation of the Global Compact for Migration by the country was prepared in October 2020.

The Committee of Ministers adopted final resolutions on a total of 8 cases, which closed the oversight of the enforcement, 7 of which relate to ECtHR judgments against the country (4 are leading or high profile cases, 3 are repeating cases), and 1 is a decision for amicable settlement of a case before the ECtHR.

### Short-term priorities

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The Bureau representing the country before the ECtHR will continue to report on the execution of the judgments of the European Court of Human Rights against the Republic of North Macedonia through action plans and reports. Under execution under the supervision of the Committee of Ministers, there are currently a total of 42 cases, out of which 16 are leading or high profile cases, 23 cases are recurring, and in 3 cases these are decisions for amicable settlement of cases before the ECtHR.

## OMBUDSMAN

### Current situation

The Ombudsman Office adopted recommendations in 2020 on dealing with persons deprived of their liberty in a situation of COVID-19 pandemic, for protection of vulnerable categories, as well as for the rights of the child, and also prepared a Special Report on the implementation of the online teaching in a situation of pandemic.

A promotional campaign on the new competencies called "Friend of the Court" was realised in May 2020 with the support of USAID.

4 complaints were submitted in 2020 requesting the Ombudsman to act as a friend of the court, out of which 3 are for criminal procedure and 1 is a complaint for civil procedure. One criminal case has been completed, while the other 3 are active. Three civil society organisations were selected: the Helsinki Committee, the Macedonian Association of Young Lawyers and the Association of Criminologists within the Mechanism for Civil Control in January 2020. Opinions have been submitted to the Ministry of Education and Science on the rights of children/ persons with disabilities and the new Law on Elementary Education for the implementation of the UN Convention on the Rights of Persons with Disabilities, the Optional Protocol, as well as the National Strategy for Deinstitutionalisation (2018-2027). This includes the concept of inclusive education, remote teaching in view of a remote learning and the Concept for developing a system of remote education in elementary and secondary schools. An announcement was made to ratify the Marrakesh Agreement which will provide access to printed literature for the visually impaired persons, as well as an Initiative to the City of Skopje for arranging the central city area with tactile paths and sound traffic lights. An inspection was performed in several public institutions, as well as certain institutions whose beneficiaries are children/ persons with disabilities<sup>28</sup>.

Several Special Reports have been prepared<sup>29</sup>. The Ombudsman submitted to the UN Committee on the Rights of the Child an Alternative report on the situation with the rights of the child in the country in October 2020, with reference to III, IV, V and VI report of the Republic of North Macedonia.

## Short-term priorities

The Ombudsman will implement a project during 2021 with the support of UNOPS and the Nordic Support Fund for analysis and assessment of the Ombudsman's capacities, as well as trainings for development and strengthening of the Institution. The realisation of the project for Promotion of the system for legal protection regarding asylum and naturalisation will continue, with the support of the UNHCR.

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<sup>28</sup> JPublic institution for care of children with educational and social problems and disordered behaviour "Ranka Milanovic"- Skopje, Institute for Rehabilitation of Children and Youth "Topansko Pole", small group homes (SGH) of the public institution for care of children with educational and social problems and with disordered behaviour Skopje (all 5 SGH from "25 May" and 1 SGH from "Ranka Milanovic" were visited – all in Skopje), small group homes of the public institution Home for infants and young children Bitola (2 SGH in Bitola were visited), small group homes from public institution Special Office Demir Kapija (1 MKD was visited in Skopje), the Day Care Centre for Children with Cerebral Palsy "Slave Georgievski Schnajder", and educational-correctional facility Tetovo (in Ohrid).

<sup>29</sup> Regarding the situation with the realisation of the right to education of children with special educational needs in elementary schools (March 2020), on the realisation of the right to free transportation of students with physical disabilities (who use wheelchairs) following the research conducted in secondary schools on the territory of the city of Skopje, in the academic year 2019/2020 (April 2020), on the challenges, problems and advantages of the realised online teaching for students with disabilities (August 2020), on the rights of children and persons placed in institutional and non-institutional form of care and protection provided during the pandemic of COVID-19, in the period from end of March till beginning of September 2020 (September 2020).

# PRISON SYSTEM

## Current situation

Several construction activities were completed in the period February - October 2020, thus transforming the Prilep Prison into Prilep Penitentiary and Correctional Facility. The construction of a courtroom in the Idrizovo Penitentiary and Correctional Facility was completed, as well as the reconstruction of the Bitola Prison<sup>30</sup>. The children from Ohrid Prison were transferred to the new facilities of educational-correctional facility Tetovo in October 2020.

26 bylaws were adopted in 2020 regarding the improvement of the treatment of convicts and the working conditions of the prison staff. A draft version of the Standard Operating Procedures for preparation and release of radicalised convicts in the penitentiary and correctional facilities was prepared, Programme for treatment of radicalised convicted persons, and a draft version of the House Rules for Children, with the support of OSCE, were prepared. Vocational training for convicts is ongoing. During 2020, the probation service had a total of 192 cases under its jurisdiction<sup>31</sup>.

## Short-term priorities

The implementation of the *Strategy for zero tolerance for inappropriate treatment of persons deprived of liberty and cases of corruption in the penitentiary and correctional facilities and in the educational-correctional facilities* will continue, as well as the *Strategy for development of a system of training of prison staff*. The *Strategy for Development of the Probation Service* and the new *National Strategy for Development of the Penitentiary System* (2021-2025) will be adopted in the first quarter of 2021. The realisation of the project "Capacity building of the penitentiary system and the external mechanism for police control in the Republic of North Macedonia" will continue as well.

## Medium-term priorities

Activities from the National Strategy for Development of the Penitentiary System (2021-2025), as well as the Strategy for Development of Probation Service (2021-2025) for its further strengthening will be implemented in the medium term. The realisation of the project "Reconstruction of the Penitentiary-Correctional Institutions" will continue.<sup>32</sup>

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30 Within the IPA 2014 project

31 15 cases are for preparation of a risk assessment of a defendant during a court procedure, 26 cases are for conducting protective supervision pronounced with a suspended sentence, 7 cases are for supervising the implementation of community service and 144 cases are under supervision for conditionally released convicts from serving prison sentence.

32 Reconstruction, construction and equipping of the Idrizovo penitentiary-correctional facility (second phase), planned until 2025.

## FREEDOM OF EXPRESSION

### Findings and recommendations from the EC 2020 Report

The country has **some level of preparation/ is moderately prepared** in the area of freedom of expression and has made limited progress during the reporting period. The overall situation and climate in which media operates remain generally conducive to media freedom and allow for critical media reporting, although there have been some increased tensions during the COVID-19 crisis and in the context of the elections. Self-regulation efforts need to be intensified to support advancement in professional standards and the quality of journalism. It is important to ensure greater transparency of media advertising by state institutions, political parties and public enterprises. Sustainable solutions to ensure the public service broadcaster's independence, professional standards and financial sustainability are needed. It is essential to continue supporting media pluralism, promoting professionalism, unbiased reporting and investigative journalism, and building resilience to effectively combat disinformation. The financial sustainability of independent media and working conditions of journalists remain a challenge. Some of last year's recommendations remain valid. In the coming year, the country should, in particular:

- prioritise the reforms of the public broadcaster, ensuring its financial viability and independence and finalise appointments for the public service broadcaster's Programme council and media regulator's council;
- increase efforts to fight disinformation and build up resilience of media outlets;
- ensure the swift and effective follow-up by law enforcement and judicial authorities of all instances of physical and verbal violence against journalists.

### Current situation

The legal amendments to the Law on Audio and Audio-Visual Media Services were adopted during 2020.

The Programming Council of MRT adopted the Strategy for Development of the Macedonian Radio and Television for the period 2020-2025 in March, which covers the following areas: development of public media services in the area of technology, human resources management, strategic programme for next five years, development of new programme services, objectives



of the strategic programme, strategic planning of the programme, organisational strategy and management reforms, financial projections and ways of implementing the five-year strategy of MRT.

5 trainings were realised in 2020 according to the Memorandum<sup>33</sup> for the Programme for Public Prosecutors and Hate Crime (PAHT), in cooperation with the OSCE and the International Association of Prosecutors on the topic of Human Trafficking with the participation of 10 public prosecutors. Holding of two more trainings on the following topics is planned by the end of the year: "Hate Crime" and "Trafficking in Human Beings" through the Office for Democratic Institutions and Human Rights (ODIHR).

A public debate on financing, management and regulation of public service media was held in February 2020, within the regional project "Encouraging the Society - Technical Assistance for Public Service Media in the Western Balkans", where the "Common Funding Principles for the public media in the Western Balkans" document was presented. The publication "Misinformation and election campaigns" was published in July 2020, within the "UFREX" project of the Council of Europe and the European Union. The Agency for Audio and Audio-Visual Media Services (AAVMS) provided financial assistance to the media for informing the citizens about the prevention of the spread of the coronavirus in the total amount of MKD 103,000,000.00 (about EUR 1,675,000.00)<sup>34</sup>.

The Ministry of Interior in cooperation with the OSCE Mission and Association of Journalists of Macedonia (AJM) developed a "Manual for safety of the journalists during high-risk events" in 2020 intended for the uninterrupted and safe performance of the journalistic profession, and there were also six workshops on "Safety of journalists when reporting on high-risk events, freedom of expression and improved communication between journalists and the police".

The Ministry of Interior and AJM signed a Memorandum of Cooperation in 2020 to undertake activities to improve the situation, and at the same time a person was appointed in the Ministry of Interior in charge of immediate response related to problems faced by journalists and issues of interest to them. The Agency for Audio and Audio-Visual Media Services registered five cases during 2020 of insulting statements or threats made by politicians to journalists. Condemning them, the Agency pointed out that the threats of legal action are a direct pressure on the work of the media and an attempt at censorship, and thus a threat to freedom of information.

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<sup>33</sup> Concluded in May 2019 between the BSEC, the Public Prosecutor's Office of the Republic of North Macedonia and the OSCE Office.

<sup>34</sup> MKD 73,000,000.00 (about EUR 1,187,000.00) of this amount was awarded to commercial and non-profit broadcasters and MKD 30,000,000.00 (about EUR 487,800.00) to the Public Broadcasting Service "Macedonian Radio Television".

## Short-term priorities

Amendments to the *Law on Civil Liability for Insult and Defamation* will be adopted. The Academy for Judges and Public Prosecutors (AJPP) will continue to provide training for judges acting in civil liability cases for insult and defamation. In addition, the AJPP, together with the Public Prosecutor's Office and the OSCE, will continue with the implementation of the PAHT Programme for education of public prosecutors for identification and processing of hate crimes. Activities will continue to strengthen the editorial culture, the independence of the editorial policy and the respect of the professional standards among the media professionals, especially in the context of balanced and impartial coverage of the election processes and in relation to gender issues.

The MISA will initiate amendments to the Law on Audio and Audio-Visual Media Services in order to fully comply with EU law in the area of audio-visual media services, specifically with the EU Directive on Audio-Visual Media Services.

## RIGHTS OF THE CHILD

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### Current situation

Trainings for foster family trainers were held in 2020 and a Manual for instructions and standards for improving the foster care process was prepared.

### Short-term priorities

A new *Law on Justice for Children* will be adopted, harmonised with the European directives. The Ministry of Labour and Social Policy (MLSP) will continue to improve the system of protection of the rights of the children. Centres for support of foster families and centres for mothers and children in both Skopje and Bitola are planned to be opened in the first half of 2021. Efforts are being made to provide adequate support to the families of children with disabilities, such as the introduction of respite.

### Medium-term priorities

The implementation of activities for improvement of the social protection of children through the development of social services

in the community will continue. Activities will be undertaken for pluralism of social service providers which, through direct work and support of families at risk, will enable the families to receive adequate care for their children.

## PROTECTION OF MINORITIES

### Current situation

There was continuous work on social inclusion of the Roma, in accordance with the *Roma Strategy* and the *National Action Plans*. In terms of access to preschool education, in the school year 2019/2020, as of June 2020, 481 children were covered in 18 municipalities (18 kindergartens). The Roma Information Centres (RICs) have provided 126 services with a focus on social services and on informing of communities about employment measures and programmes.

A working group was established in accordance with the *Law on Unregistered Persons in the Birth Register* to monitor and implement the *Action Plan for measures and activities for implementation of the Law on Persons without Regulated Civil Status*. Bylaws were adopted for keeping records of persons who are not registered in the birth register and for obtaining a special identification document. A Decree with legal force was adopted that postponed the deadline for submitting a request to the competent institutions for obtaining a special birth certificate and a separate identification document due to the conditions caused by the pandemic. 15 families (101 persons, 35 adults and 66 children) were reallocated and placed in temporary shelters in Vizbegovo during 2020.

### Short-term priorities

The National Coordination Body for coordination and monitoring of the implementation of the Roma Strategy will continue to exercise its competencies. A *new Roma Strategy* and a *new Law on Social Housing* will be drafted. The Law on Unregistered Persons in the Birth Register will be implemented; having in mind that by the end of December 2020, all registered persons out in the area should submit a request for issuing of a temporary birth certificate with which they will be able to obtain temporary ID card. A *revision of the Strategy for Reintegration of Returnees* from the Western Balkans and continuous monitoring of the inclusion of Roma and Roma refugees will be carried out.

## Medium-term priorities

Activities for social inclusion of Roma will continue, and there will be also inclusion of Roma children in pre-school education as well as support for Roma employment and social housing activities. The Law on Unregistered Persons in the Birth Register will be implemented.

## ANTI-DISCRIMINATION AND EQUAL OPPORTUNITIES

### Current situation

The *Law on Prevention and Protection against Discrimination* was adopted, harmonised with the EU directives and international standards in October 2020.

The seven members of the Commission for Prevention and Protection against Discrimination were elected by the Assembly in January 2021, meanwhile one member resigned from the position and the procedure for election of a new member was started. The National Coordinating Body for Non-Discrimination and Equality, with the support of the OSCE, has prepared several documents under the new Law on Prevention and Protection against Discrimination: amendments to the Civil Servants Code, Guidelines for Public Sector Duties and Methodology for Collecting Statistical Data.

### Equal opportunities

An evaluation of the Gender Equality Strategy (2013-2020) is ongoing, which will be used to prepare a new *Gender Equality Strategy*. The Assembly adopted the *Law on Prevention and Protection from Violence against Women and Domestic Violence* in January 2021. AAVMS published the annual survey on gender in the media in April 2020, which for the first time makes a quantitative and qualitative analysis of gender treatment in children's shows<sup>35</sup>. Additionally, in September 2020, AAVMS published an analysis titled "Gender in Televisions and Radios: Who makes the decisions, and who implements them"<sup>36</sup>, which covers the gender structure of the ownership and of the employees in the radios and televisions. Holding of training within the "UFREX" project for the employees of AAVMS and the Council for Media Ethics in order to monitor

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<sup>35</sup> It covers 520 shows for children, from domestic and foreign production, broadcasted on 7 national televisions from 15 September to 15 October 2019. The gender analysis was conducted on 4,553 people, out of whom 2,657 were female, 1,842 were male, and the rest had no gender markers.

<sup>36</sup> A total of 68 broadcasters, of which 28 televisions and 40 radios are entirely owned by men, while 23 broadcasters (3 televisions and 20 radios) are entirely owned by women.

the application of journalistic standards in cases of gender-based violence has been planned in December this year.

## Short-term priorities

### Anti-discrimination

There will be continuous activities on the promotion and advancement of equality in order to overcome the differences in the access to rights between the citizens. To this end, the harmonisation of legislation will continue<sup>37</sup> with the new *Law on Prevention and Protection against Discrimination*.

A *Methodology for data collection* will be prepared in accordance with the Law on Prevention and Protection against Discrimination, on the basis of which discrimination can be identified, measured and monitored, but also effective measures can be designed and implemented.

The National Coordinating Body for Non-Discrimination and Equality will prepare a *new Equality and Non-Discrimination Strategy and a National Action Plan* during 2021.

A *National Action Plan for the rights of the LGBTI* community in the areas of employment, health, education and access to justice will be prepared. There will be continuous implementation of trainings on non-discrimination and anti-hate speech for civil and public servants. In 2021, the trainings will also include police officers, teachers and health professionals.

### Equal opportunities

A new Law on Gender Equality will be adopted in order to promote gender equality. The Law will be submitted for consultation to the Venice Commission.

*Amendments to the Law on Equal Opportunities for Women and Men* will be adopted in order to improve the national gender machinery and provide more effective implementation of the Law. Amendments to the *Law on Protection from Harassment at Workplace* will be prepared. A *Resource Centre and a training centre* for civil servants for gender responsive budgeting and policy making will be established. A new *Strategy for Gender Equality (2021-2026) and a National Action Plan for Gender Equality (2021-2023)* will be prepared. A special *National Action Plan for Women and Climate Change* will be prepared.

The calculation of a new gender equality index for 2020 will begin. Activities will be carried out with the support of the EU for development and implementation of solutions for harmonisation of family and professional life and reduction of discrimination in the workplace on gender basis. In this regard, a new Law on Labour

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<sup>37</sup> Law on Criminal Procedure, Law on Administrative Servants, Law on Public Sector Employees, Electoral Code, Law on Justice for Children, Law on Equal Opportunities for Women and Men. So far, the Law on Social Protection (Official Gazette No. 104/2019), the Law on Child Protection (Official Gazette No. 104/2019) and the Law on Prevention and Protection from Violence against Women and Domestic Violence (Official Gazette, No. 104/2019) have been harmonised (Official Gazette No.24/2021). A new Law on Labour Relations, Law on Equal Opportunities for Men and Women and Law on Amendments to the Law on Protection from Harassment at Work are being prepared, which, among other things, will be harmonised with the Law on Prevention and Protection Against Discrimination. Law on Justice for Children and the Law on Equal Opportunities for Women and Men.

Relations will be adopted which will transpose the EU Directive 2019/1158 on the balance between private and professional life in terms of protection of workers working on fixed-term contracts during pregnancy, childbirth and parenting. The new Law on Labour Relations will introduce paternity leave, opportunity to use parental leave and fathers, paid leave of absence from work to provide care and the right to work in a flexible form for care of the children. Atypical employment contracts will also be regulated.

Bylaws and standard operating procedures for implementation of the Law on Prevention and Protection from Violence against Women and Domestic Violence will be adopted for protection against gender-based violence in accordance with the Convention for Prevention and Combating of Violence against Women. A special Protocol for dealing with victims of gender-based violence will be adopted and a Programme for Reintegration of Victims of Gender-Based Violence will be also prepared.

AVMS will prepare a Manual within the "UFREX" project for monitoring the reporting of gender-based violence in 2021, and there will be also analyses of gender issues and the way of presenting and representing women and men in broadcasters' programmes.

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## Medium-term priorities

### Anti-discrimination

Activities will continue towards strengthening the institutional mechanisms for prevention, protection against discrimination and promotion of equal opportunities. The process of harmonisation of all relevant laws with the Law on Prevention and Protection against Discrimination will be completed.

### Equal opportunities

The activities for implementation of gender responsive budgeting in the strategic planning, policy making and budgeting processes of the Government will continue. There will be also activities on capacity building of the administrative staff in the line Ministries for incorporation of the gender perspective in the policies and budgets. We will also work on strengthening the mechanisms for promotion of gender equality at the local level.



# SOCIAL INCLUSION OF PEOPLE WITH DISABILITIES

## Current situation

Bylaws were adopted in 2020 regulating the provision of social services and licensing of professionals in the area of social protection. Activities continued for establishing new social services in the community, including for people with disabilities.

The Council of Europe and AAVMS held a workshop in the framework of the UFREX project "Freedom of Expression and Freedom of the Media in the Republic of North Macedonia" in January 2020 for broadcasters and providers of audio-visual media services, for preparation of a document for providing access to audio-visual media services for people with sensory disabilities.

The Council of the Agency adopted the Policy for providing access to audio-visual media services in December 2020 for people with sensory disabilities.

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## Short-term priorities

Activities will continue in 2021 to strengthen the availability of social services, capacity building of social service providers, as well as awareness-raising on the benefits of the social services. The provision of technical and financial support for development of the social services in the local self-government units will continue. An EU project for support of the modernisation and deinstitutionalisation of the social services will also be implemented.

The process of deinstitutionalisation will continue with the transformation of the following institutions: public institution Institute for Rehabilitation "Banja Bansko" - Strumica, public institution Institute for Rehabilitation of Children and Youth - Skopje and public institution Special Institute "Demir Kapija".

A new *Law on Employment of Persons with Disabilities* which will introduce professional rehabilitation is planned to be prepared. During 2021, AAVMS will work to encourage the providers of audio and audio-visual media services to produce their programmes/content that is accessible to people with sensory disabilities.

## Medium-term priorities

The process of transformation of residential social institutions into providers of modern social services will be completed. There will

be activities on establishing new social services in the community and involving various entities in their quality and efficient provision. Special attention will be paid to the strengthening of the system for monitoring, supervision and quality control of social services for persons with disabilities.

## DEINSTITUTIONALISATION PROCESS

### Current situation

A report was prepared in 2020 on the implementation of the *National Strategy for Deinstitutionalisation (2018-2027) "Timjanik"*, in the period 2018 – March 2020.

The preparations for opening of centres for support of foster families in Skopje and Bitola, which will function within the former institutions for long-term child care, are in the final phase. The preparations for establishment of the respite service from family care are being completed at the Special Institution in Demir Kapija. Financial support agreements (grants) were signed by the MLSP in October and November 2020 with 24 municipalities for establishment of new social services in the community. The services will be financed from the state Budget in accordance with the new Law on Social Protection.

### Short-term priorities

The implementation of the National Strategy for Deinstitutionalisation (2018-2027) will continue in 2021 with the priority of establishing new services in the community and reducing the number of people cared for in residential social institutions for people with disabilities. The implementation of the first Action Plan for implementation of the National Strategy for Deinstitutionalisation (2018-2027) will be evaluated in 2021 and a new Action Plan for implementation of the Strategy for the period after 2021 will be prepared.

The first two centres for support of foster families in Skopje and Bitola will start with operation in the first quarter of 2021 and a respite to family care service will be established in Demir Kapija, as a part of the transformation of the residential social institutions. Help and care in home will begin to be provided for at least 200

people by the end of the year.

The number of users of the personal assistance service is expected to increase by at least 20% by the end of 2021 (compared to 146 users in November 2020).

The relocation of adult beneficiaries from institutions for long-term care of adults with disabilities will continue – at least 50 people will be relocated from institutions into the community and will receive appropriate care.

The capacities of the stakeholders in the area of social protection will be strengthened, including the system for monitoring and supervision of the social services, supported by the IPA project "Modernisation of the deinstitutionalisation of social protection services". The new solutions will start with implementation from 2022.

## Medium-term priorities

The medium-term and long-term priorities are set out in the National Deinstitutionalisation Strategy (2018-2027) and the Action Plan for Implementation. The key commitments are aimed at creating social services in the community through pluralisation and decentralisation of the system for social services. The relocation of all beneficiaries housed in the residential social facilities in the community will be completed by the end of 2023 according to the National Strategy.

## IMPROVING THE SITUATION OF DOMESTIC VIOLENCE VICTIMS

### Current situation

There are 13 specialised centres for care of victims of domestic violence and gender-based violence on the territory of North Macedonia, in six planning regions: Skopje, Southwest, East, Vardar, Southeast and Pelagonija region, eight of which are opened by the Ministry of Labour and social policy, three are financed by the Ministry of Labour and Social Policy and managed by the civil sector, one is financed by the local self-government and managed by a civil society organisation and one is financed by own funds of the organisation. In addition, there are 10 specialised services that provide psychosocial assistance and support to victims of domestic violence and SOS hotlines for timely and confidential information

for protection of the victims. More than 1,300 food and hygiene kits were distributed as an urgent response to victims of domestic violence, most affected by the crisis, and they were exempted from the prohibitions and sanctions during the lockdown. There was also a campaign for reporting domestic violence through the social media and the national broadcasting service. All police stations were provided with contact telephones of counselling centres for work with women who are victims of gender/ domestic violence, of civil society organisations and telephone numbers of the National Service for implementation of several protection measures<sup>38</sup>. Posters and brochures of the Service for Legal and Psychosocial Support of Vulnerable Victims of Violent Crimes were also exhibited within the "Legal Support to Vulnerable Victims of Violent Crimes" project.

The Assembly adopted the Law on Prevention and Protection from Violence against Women and Domestic Violence in accordance with the Istanbul Convention (Official Gazette No. 24/21).

## Short-term priorities

Bylaws and standard operating procedures for implementation of the Law on Prevention and Protection from Violence against Women and Domestic Violence will be adopted for the purpose of protection against gender-based violence in accordance with the Istanbul Convention. A special Protocol for dealing with victims of gender-based violence will be adopted. Trainings for police officers will be conducted in order to strengthen the level of professional treatment of victims of gender-based violence, as well as trainings for perpetrators, women and children and for awareness- raising of gender-based violence in accordance with the Istanbul Convention.

The improvement of the system for prevention and protection of victims of domestic violence will continue in 2021. At least 10 new specialised services will be established. The financing of civil society organisations that provide specialised services for victims of domestic violence will also continue, including their capacity building.

## Medium-term priorities

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<sup>38</sup> Placement in a centre for persons - victims of domestic violence, health care, psycho-social intervention and treatment, psycho-social treatment in a counselling centre, family support for regular schooling of a child, legal assistance and advocacy and economic empowerment of the victim through her active involvement in the labour market.

The implementation of the activities provided in the Action Plan for implementation of the Istanbul Convention (2018-2023) will continue in order to improve the system for protection of victims of domestic violence. An integrated data collection system for victims of gender-based and domestic violence will be established and the capacity of institutions and service providers for victims of various forms of violence will be continuously strengthened.

## PREVENTION AND MANAGEMENT OF SEXUAL AND OTHER TYPE OF ABUSE AND NEGLECT OF CHILDREN

### Current situation

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The Government adopted the *National Strategy for Prevention and Protection of Children from Violence (2020-2025) and the Action Plan (2020-2022)* in December 2019. The appointment of a president and members of the National Coordination Body for Protection of Children from Abuse and Neglect is ongoing, the task of which is to monitor the implementation of the Strategy.

### Short-term priorities

The National Coordination Body for Protection of Children from Abuse and Neglect will prepare a Report on the situation regarding the protection of children from abuse and neglect for 2018-2020 in 2021 in accordance with the created indicators. A new Action Plan for Prevention and Protection of Children from Violence (2023-2025) will be prepared during 2022.

### Medium-term priorities

The implementation of the National Strategy (2020-2025) and the Action Plan (2023-2024) for prevention and protection of children from violence will continue.

## RIGHTS OF THE COMMUNITIES

### Current situation

The Agency for Exercising of the Rights of the Communities prepared an analysis of the needs of each of the communities at the local level in 2020, as follows: the needs of education in the mother tongue, the involvement of communities in the cultural life, the use of language, symbols, media and information, as well as the equitable representation of the non-majority communities in the institutions at national and local level. Over 7,000 pupil sets were distributed to pupils from first to third grade, supplemented with masks and disinfectants, in accordance with the measures for protection from COVID-19 within the EU project "Strengthening Democracy through Promotion and Protection of the Rights of the Communities". More than 60 elementary schools from all regions of the country were visited, in which there are pupils studying in the languages spoken by the smaller communities.

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### Short-term priorities

The Agency for Exercising of the Rights of the Communities will develop a *Methodology for monitoring the rights of communities* in 2021. A national census campaign, promotional events and three participatory forums will continue to be organised. Trainings for strengthening the capacities of the employees of the Agency and trainings in human rights and rights of the communities will be conducted.

### Medium-term priorities

The Agency for Exercising of the Rights of the Communities will continuously conduct training of its employees and will provide additional staffing in the medium term.



# PERSONAL DATA PROTECTION

## Current situation

A new Law on Personal Data Protection was adopted<sup>39</sup> in February 2020, which is harmonised with the General Regulation on Personal Data Protection of the European Assembly and the Council (EU) 2016/679 (GDPR) and the Directorate is renamed into Agency for Personal Data Protection (APDP). Thirteen bylaws have been adopted<sup>40</sup>. The conducting of on-line supervision has also started.

## Short-term priorities

A *Law on Ratification of the Protocol (CETS No. 223)* will be adopted to amend the Convention for Protection of Individuals with regard to Automatic Processing of Personal Data (ETS No. 108). Directive (EU) 2016/680 on the protection of individuals with regard to processing of personal data by the competent authorities for the purpose of prevention, investigation, detection or prosecution of criminal offenses or execution of criminal penalties and on free movement of such data will be transposed (the so-called Police Directive). The process of adoption of bylaws in accordance with the new Law on Personal Data Protection will continue, as well as the preparation of instructions for practical implementation of the Law.

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39 Official Gazette No. 42/2020

40 Official Gazette No. 122/20

## Medium-term priorities

The process of adoption of the bylaws in relation to the new Law on Personal Data Protection will be finalised. Activities will be implemented on increase of the knowledge of citizens about their rights to personal data protection, as well as introduction new technologies and new tools in the operation of the Agency, including administrative capacity building of the Agency.



# JUSTICE, FREEDOM AND SECURITY

## Findings and recommendations from the EC 2020 Report

North Macedonia is **moderately prepared** to implement the EU acquis. **Good progress** was made including in meeting last year's recommendation to effectively implement some of the institutional reforms of the security sector as well as the reform of the intelligence services. The operational capacities of law enforcement agencies also improved. Efforts need to continue in implementing the strategy for strengthening the Capacities for Conducting Financial Investigations and Confiscation of Property. Migration management efforts continued. The status agreement with the EU for cooperation with the European Border and Coast Guard Agency has not been signed yet. Registration of migrants and protection of sensitive data profiling still needs to be carried out in a more systematic manner. Measures to counter violent extremism and fight terrorism need to continue.

In the coming year, the country should, in particular:

- ▶ ensure that institutional reforms of the security sector (criminal police, financial units, intelligence services, National Coordination Centre for the Fight against Organised Crime) are translated into a proactive policy of implementing the strategic documents and achieving further tangible results;
- ▶ ensure implementation of the priorities of the Joint Action Plan on Counterterrorism and effective performance of the Coordinator's office.

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# MIGRATION

## Current situation

*The new Law on Foreigners*<sup>41</sup> harmonised with European legislation<sup>42</sup>, entered into force in May 2019. In order to ensure successful implementation, several bylaws have been adopted:

- A Rulebook on dealing with foreigners<sup>43</sup>
- A Decree on ensuring confidentiality, protection and security of data contained in the integrated database of foreigners, including data on asylum, migration and visas<sup>44</sup>,
- A Rulebook on house rules of the Reception Centre for Foreigners; and
- A Rulebook on the manner of issuing travel and other documents for a foreigner, manner of reporting of missing, lost, stolen or other alienation of travel and other documents of a foreigner, format and content of the travel form and other document for a foreigner, and application form for their issuance and manner of keeping records and using the data from the records on travel and other documents issued to a foreigner.

Amendments to the Law on Foreigners are currently in the process of adoption in order to harmonise with certain misdemeanour provisions of the Law on Misdemeanours, and in order to resolve the shortcomings identified during the implementation of the Law.

## Short-term priorities

### Legal framework

A *Resolution on Migration Policy 2021-2026* with an Action Plan and *Migration profile of the Republic of North Macedonia* will be adopted in order to determine the future strategic priorities in the area of migration.

Two bylaws will be adopted for the purpose of successful implementation of the Law on Foreigners, as follows: A Decree on the manner of maintaining an Integrated Database on Foreigners, including data on asylum, migration and visas; and A Decree on



<sup>41</sup> Official Gazette No. 98/2018.

<sup>42</sup> Regulation (EC) No 399/2016 of the European Parliament and the Council of 9 March 2016 establishing a Community Code governing the movement of persons across borders (Schengen Border Code), OJ L 77, 23.3.2016, p. 1 CELEX No.32016R0399;

Council Directive 2001/51/EC from 28 June 2001 supplementing the provisions of Article 26 of the Convention implementing the Schengen Agreement of 14 June 1985 CELEX No: 32001L0051;

Regulation (EC) No 810/2009 of the European Parliament and of the Council of 13 July 2009 establishing the Community Visa Code (Visa Code), OJ L 243, 15.9.2009 p.1 CELEX No 32009R0810;

COUNCIL REGULATION (EC) No. Regulation (EC) No 333/2002 of 18 February 2002 on the Unified Format of Visa Application Forms issued by member states to holders of passports not recognised by the Member State preparing the form, Official Journal L 053, 23/02/2002 P. 0004 - 0006 CELEX number 32002R0333;

Council Directive 2003/109/EC from 25 November 2003 on the status of third-country nationals with long-term residence as amended by Directive 2011/51/EU of the European Parliament and of the Council of 11 May 2011 CELEX Nos 32003L0109 and 32011L0051;

Council Directive 2003/86/EC from 22 September 2003 on the right to family reunification CELEX No 32003L0086;

Council Directive 2009/50/EC from 25 May 2009 on the conditions of entry and residence of third-country nationals for the purpose of highly



the manner of granting access, access levels, more detailed criteria according to which the level of access is determined, the duration of the access, the manner of determining the termination and the revocation of the access to the data in the Database.

## Institutional framework

The construction of the Reception Centre for Foreigners will begin, funded under IPA 2016. The functionalities of IBAS will be upgraded and improved, in accordance with the Law on Foreigners. Procedures for its work will be adopted and appropriate training will be conducted in order to strengthen the capacities of the Inter-ministerial working group for creating migration policy.

## Medium-term priorities

### Legal framework

Readmission agreements will be concluded with Russia, Iceland, Ukraine, Turkey, Egypt, Azerbaijan and other countries.

### Institutional framework

The construction of the Reception Centre for Foreigners will be finalised. The mechanisms for information exchange will continue to be strengthened and the manner of the collection, analysis, coordination and transparency of data regarding migration and asylum will be improved in cooperation with IOM, UNHCR, FRONTEX and EASO, in order for the data incorporated on labour migration to, from and within the region and to be coherent, consistent and in line with the European standards.

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qualified employment CELEX No.32009L0050,  
Directive 2011/98/EC of the European Parliament and of the Council of 13 December 2011 on a single procedure for applying for a single residence and work permit in the territory of a Member State for third-country nationals and on a common set of rights for workers from third countries legally resident in a Member State. CELEX No.32011L0098;

Directive 2014/36/EU of the European Parliament and of the Council of 26 February 2014 on the conditions of entry and residence of third-country nationals for employment as seasonal workers CELEX number 32014L0036;

Directive 2014/66/EU of the European Parliament and of the Council of 15 May 2014 on the conditions of entry and residence of third-country nationals in the context of transfers between undertakings; CELEX number 32014L0066;

Directive 2016/801/EU of the European Parliament and of the Council of 11 May 2016 on the conditions of entry and residence of third-country nationals for research, study, training, volunteer services, student exchange schemes or Au Pair educational projects and programs. CELEX number 32016L0801;

Directive 2008/115/EC of the European Parliament and of the Council of 16 December 2008 on common standards and procedures in the member states for the repatriation of third-country nationals illegally residing CELEX No 32008L0115;

43 Official Gazette No. 109/19.

44 Official Gazette No. 192/19.



# ASYLUM

## Current situation

There is a trend of increasing in the number of applicants for recognition of the right to asylum<sup>45</sup>, during 2020, with most applicants coming from Afghanistan, Pakistan, Syria, Cuba and Turkey.

Standard Operating Procedures (SOP) for registration and conducting a procedure upon a submitted request for recognition of the right to asylum have been adopted with expert support from EASO in order to strengthen the capacities of the Sector for Asylum in the Ministry of Interior. The Sector for Asylum has conducted training of police officers in all police stations (PS) of General Jurisdiction on the territory of Skopje, Veles and Kumanovo and police officers from the Regional Centre for Border Management – North in order to present the standards set out in the Law on International Temporary Protection. EASO has also conducted trainings on inclusion, interviewing techniques for vulnerable categories, conducting distance interviews and providing information in specific conditions. Training has been also conducted for determine the age of the persons, attended by representatives of the competent institutions.

## Short-term priorities

### Legal framework

The SOPs for dealing with unaccompanied foreign children and SOPs for dealing with vulnerable categories of foreigners will be revised. The Rulebook on restriction of freedom of movement will be changed and amended<sup>46</sup>. In order to improve the functionality and upgrade the IBAS database, an Instruction for using the database of asylum seekers for the needs of the Sector for Asylum will be adopted. A Programme for Cooperation between the Ministry of Interior and UNHCR will also be adopted.



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45 202 people applied for recognition of the right to asylum in the period from January to November 2020, mainly from Afghanistan with 42 people, Pakistan 32, Turkey 25, Syria 23, Cuba 20 and from other countries of origin with individual requests.

46 Official Gazette No. 239/2018.



## Institutional framework

Trainings will be conducted for police officers in the Regional Centres for Border Affairs, the Sectors for Internal Affairs on the territory of the country and the Sector for Internal Affairs Skopje, the employees of the Ministry of Labour and Social Policy (MLSP) and the judges from the Administrative and Higher Administrative Courts who work on procedures for recognition of the right to asylum. The material, technical and administrative capacities of the Sector for Asylum and of the Reception Centre for Asylum Seekers will be continuously strengthened, in accordance with the standards in the Law on International and Temporary Protection. Cooperation with UNHCR, EASO and MARRI will continue.

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47 Asylum Sector, Border Police PS and General Jurisdiction PS, MLSP, Administrative and Higher Administrative Court

48 Asylum Sector, Border Police PS and General Jurisdiction PS, MLSP, Administrative and Higher Administrative Court

## Medium-term priorities

Further harmonisation of the national legislation with the EU *acquis* in the area of asylum will be carried out, and in cooperation with EASO a plan for inter-institutional training of the officials in charge of asylum in the institutions will be prepared<sup>47</sup>, Biometric (machine readable) ID cards will be issued to persons with recognised refugee status and persons under subsidiary protection. In cooperation with EASO, inter-institutional training of officials working in the area of asylum in the institutions will be conducted<sup>48</sup>.

# VISA POLICY

## Current situation

The country's visa regime is continuously harmonised with the amendments to the EU/ Schengen visa regime. At the same time, there is continuous training on the use of the National Visa Information System (NVIS) for the employees of the Ministry of Foreign Affairs who are deployed in the diplomatic and consular missions (DCM) of the Republic of North Macedonia. They are fully connected with NVIS and 52 DCMs have been put into operation for issuing visas by the end of 2019.

## Short-term priorities

### Legal framework

Work has started on drafting several bylaws by the adoption of the new Law on Foreigners, adopted in May 2018<sup>49</sup>:

- A Rulebook on the manner of issuing visas for foreigners, cancellation and revocation of visas, extension, shortening of their validity and destruction of the visa sticker, the manner of keeping records and using the data from the records on submitted applications for issuance of visas, on issued, cancelled and revoked visas and destroyed visa stickers,
- A Rulebook on the form and content of the accreditation form for cooperation with trade intermediaries, the manner of keeping records and using data from the records of issued accreditations of trade intermediaries for visas,
- A Rulebook on the manner of selection of external service provider for obtaining a visa to enter the Republic of North Macedonia and on the manner of keeping records and using data from the records on concluded agreements with external visa service providers,
- A Rulebook on the manner of handling and distribution of the visa forms,
- Rulebook on the form and content of the visa sticker form, the visa application form, the visa issuance form in case the passport is not recognised by the Republic

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49 Official Gazette No. 97 from 28 May 2018.

of North Macedonia, as well as the form for refusal, cancellation and revocation of the visa,

- A Rulebook on the manner of work and functioning of the NVIS system,
- A List of passports or other travel documents issued by states and international organisations, or by special administrative regions and entities and territorial authorities that are not recognised as countries, and whose travel documents are not recognised and accepted by the Republic of North Macedonia,
- A List of passports and other travel documents issued in accordance with international standards, issued by states and international organisations recognised and accepted by the Republic of North Macedonia or by special administrative regions and entities and territorial authorities not recognised as countries, and
- A Decree determining the countries whose citizens must have a visa when crossing the border of the Republic of North Macedonia and countries whose citizens are exempt from that obligation (Visa regime of the Republic of North Macedonia).

## Institutional framework

The connection of NVIS in all newly opened DCMs will continue. As soon as the integrated database on foreigners, including asylum, visas and migration (IBAS) is established and put into use, it will be linked to NVIS. Hardware and software upgrade of the NVIS system will be performed on continuous basis, in accordance with the legal changes and as needed.

## Medium-term priorities

Amendments to the NVIS procedures will be prepared for the purpose of implementation of the new Law on Foreigners and the relevant bylaws, and thus adapting the trainings of the employees working on NVIS i.e. the visa approvers and the diplomatic-consular staff. Hardware and software upgrades of the NVIS system will be continuously implemented, and equipment for taking biometric data when issuing visas is planned to be purchased.

The organisation of trainings for detection of forged documents will continue.

# EXTERNAL BORDERS AND BORDERS OF THE SCHENGEN ZONE

## Current situation

The cooperation with FRONTEX is continuously deepened through operational cooperation (participation in joint operations and joint operational activities, staff exchange, etc.), situational awareness and monitoring, returns, research and innovation, horizontal training and other training activities.

Activities for material and technical equipment of the Border Police are continuously implemented. The implementation of the IPA 2016 Twinning project - "Harmonisation of the National Systems with the EU and Schengen Border Management Requirements" continued.

## Short-term priorities

### Legal framework

The status *Agreement for cooperation with the European Union* will be signed and ratified, for actions implemented by the Agency for European Border and Coast Guard in the Republic of North Macedonia. A new Agreement on Operational Cooperation will be concluded with Frontex - EBCGA. A new *National Strategy for Development of Integrated Border Management and an Action Plan* for its implementation will be adopted, in accordance with the European standards. A Plan for Urgent Action in Migration Flows will be adopted, as well as amendments to the Law on Border Control, in order to harmonise with the current amendments to the Schengen Border Code and Directive EU 2016/681 of the European Assembly and the EU Council of 27 April 2016 on the use of data from the Passenger Data Record (EPP) for the purpose of preventing, detecting and prosecuting terrorism offenses and serious crimes. Accordingly, the bylaws arising from the Law on Border Control will be amended. In addition, *a new Schengen Action Plan* harmonised with EU and Schengen standards will be adopted.

### Institutional framework

An in-depth assessment of the national biometric registration/ data exchange systems for asylum seekers and migrants will be carried out and a *National Master Plan will be developed to ensure their future interoperability and compatibility with the EU systems*. A methodology for systematic establishment of credible records for detection,



investigation and prosecution of cross-border crime will be developed and a Catalogue of cross-border crimes will be prepared.

An *Information System for Integrated Border Management* will be established with the support of the European Commission through IPA 2 in order to strengthen the institutional capacities of the National Coordination Centre for Integrated Border Management (NCCIBM). Additional staff will be engaged in the Analytical Centre at the NCCIBM and in the On-duty Operating Centre at the NCCIBM.

The cooperation with international agencies and neighbouring countries will continue in terms of combating cross-border crime and illegal migration and strengthening inter-agency cooperation, using the existing cooperation mechanisms and by developing new tools for deepening and expanding the operational cooperation with neighbouring countries and with EU member states, as well as with the international agencies.



## Medium-term priorities

### Legal framework

A new Practical Manual "Standard Operating Procedures for Border Control" will be adopted in order to comply with the recommendations and best practice for border operations prescribed by the Schengen Manual.

### Institutional framework

The Information System for Integrated Border Management (ISIBM), financed by the IPA 2 programme, will be finalised. At the same time, within IPA 2016, the preparation of the Schengen Action Plan will begin, which will define the activities for the establishment of a SIRENE bureau.

The new concept of risk management will be implemented, and a Joint Training Programme will be continuously developed and implemented.



# JUDICIAL COOPERATION IN CIVIL AND CRIMINAL CASES



## Current situation

The Assembly adopted the new Law on Private International Law in February 2020, which is fully in line with the latest European regulations in the area<sup>50</sup>. A new Law on International Cooperation in Criminal Matters has been prepared in accordance with the Strategy for Reform of the Judicial Sector 2017-2022.

The initial steps of the ratification process of several conventions has started in the period October-November, as follows:

- Hague Convention on the Protection of Children of 1996;
- Convention on Choice of Court Agreement of 2005; and
- Convention on the International Recovery of Child Support and Other Forms of Family Maintenance of 2007 and its Protocol on the law applicable to the maintenance of obligations, through an initial analysis of domestic law and its compliance with the provisions of the three Conventions and the Protocol.

The registration of cases for international legal assistance in civil and criminal matters is regularly conducted through the LURIS case registration system. The cooperation between the current country liaison prosecutor and EUROJUSTICE continued.

## Short-term priorities

### Legal framework

The new Law on International Cooperation in Criminal Matters will be adopted. International cooperation will continue by concluding agreements with several countries. An agreement on mutual legal assistance in the civil area will be concluded between North Macedonia and the Republic of Kosovo. After the completion of

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<sup>50</sup> Regulation of the European parliament and the Council No.1215/2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (Brussels I-(novella));  
Regulation of the European Parliament and the Council No. 864/2007 on the law applicable to non-contractual obligations (Rome II);  
Regulation of the European Parliament and the Council No. 593/2008 on the law applicable to contractual obligations (Rome I);  
Regulation of the European Parliament and the Council No. 2201/2003 on the jurisdiction and the recognition and enforcement of judgments in matrimonial matters and the matters of parental responsibility;  
Regulation of the European Parliament and the Council No. 4/2009 on jurisdiction, applicable law, recognition and enforcement of decisions and cooperation in matters relating to maintenance obligations;  
Regulation of the European Parliament and the Council No. 1259/2010 implementing enhanced cooperation in the area of the law applicable to divorce and legal separation (Rome III);  
Regulation of the European Parliament and the Council No. 650/2012 on jurisdiction, applicable law, recognition and enforcement of decisions and acceptance and enforcement of authentic instruments in matters of succession and on the creation of a European Certificate of Succession;



the national procedure, an Agreement on cooperation in the area of judiciary will be signed between the Government of North Macedonia and the State of Qatar. An Initiative for concluding four bilateral agreements between the Republic of North Macedonia and Brazil will be launched. A Proposal for an Additional Agreement between North Macedonia and the United Kingdom to the 1957 European Convention on Extradition will be submitted. Ratification of the 2005 Hague Convention on the Choice of Court will be finalised. Negotiations for signing an Agreement for mutual legal assistance in civic area between North Macedonia and the Russian Federation will be initiated.

## Institutional framework

The Academy for Judges and Public Prosecutors will continue to conduct trainings for judges in the area of judicial cooperation in civil and criminal matters. The incoming/ outgoing cases for judicial cooperation in civil and criminal matters will be continuously monitoring. The cooperation with EUROJUSTICE will continue.

## Medium-term priorities

Laws on ratification of two Hague Conventions and Protocol will be adopted, namely: Law on Ratification of the Child Protection Convention from 1996 and Law on Ratification of the Convention on the International Recovery of Child Support and Other Forms of Family Maintenance from 2007 and its Protocol for the law that is applied for maintaining obligations.

# FIGHT AGAINST ORGANISED CRIME

## Findings and recommendations from the EC 2020 Report

The country has some level of preparation in the fight against organised crime. The legislative framework is broadly in line with European standards and efforts to implement strategies against organised crime must continue. Some progress was made in meeting last year's recommendation to establish an asset recovery office in line with the EU acquis. This office will have to demonstrate its capacity to support a proactive policy of assets confiscation. The country is engaged in participating into threat assessment at the regional level, and will have to broaden its scope in line with the EU practices. There is some progress at the operational level, but more needs to be done to improve the effectiveness of law enforcement in fighting specific forms of crime, such as money laundering and financial crimes. Efforts are still needed to establish a centralised bank account register, in line with the 5th EU Money Laundering Directive. Coordination remains crucial for all stakeholders involved in fighting organised crime.

In the coming year, the country should, in particular:

- ▶ further bolster the track record of investigations, prosecutions and convictions for organised crime and money laundering, and demonstrate the ability to effectively dismantle large organised criminal networks;
- ▶ increase the use of confiscation of the proceeds of crime by the courts;
- ▶ increase the functionality and capacity of the investigative centres set up in the prosecution.

# POLICE COOPERATION

## Current situation

### International police cooperation

The operational cooperation with EUROPOL, the EUROPOL member states and third partners for cooperation is intensified through the continuous growth of the number of initiated cases and messages exchanged through the SIENNA secure communication link, as well as through participation in the Joint Action Days (JAD) of the operational actions within **EMPACT**.<sup>51</sup> The Ministry of Interior participates in a total of **nine analysis work files of EUROPOL** (AWF), six of which from the work file for analysis of organised and serious crime and three from the work file for analysis for fight against terrorism.

The Interpol Command and Coordination Centre established a **Special Coordination Body against the pandemic** starting from 19 March 2020, due to the situation with COVID-19, in order to submit daily reports with information related to the spread of corona virus obtained from different National Central Bureaus (NCBs) and from open sources (World Health Organisation, media and other stakeholders). The working arrangement between the Ministry of Interior and CEPOL is implemented through the National Contact Point for CEPOL with a designated contact person, LEEDS Manager and Officer for exchange.

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<sup>51</sup> European Multidisciplinary Platform Against Criminal Threats

# FIGHT AGAINST ORGANIZED CRIME

## Current situation

### Establishment of investigative centres

The investigative centres are completely operational since March 2020. A total of 16 researchers were selected on 7 February 2020, out of which five are researchers in Basic Public Prosecutor's Office (BPPO) for organised crime and corruption, seven investigators

in BPP0 Skopje, two investigators in BPP0 Tetovo and two investigators in BPP0 Kumanovo. Furthermore, 15 investigators were engaged from the former Special Public Prosecutor's Office in BPP0 for organised crime and corruption.

## Capacities building for conducting financial investigations

The special units for conducting financial investigations in the Ministry of Interior, Customs Administration (CU) and the Financial Police Directorate (UFP) started their operational activities. Nine financial investigations were conducted in the Ministry of Interior during 2020, some after pressing criminal charges and some in parallel with the start of a criminal investigation.

## National Coordination Centre for Combating Organised Crime (NCOC)

The NCCC model, as a tool for inter-institutional cooperation at national level, continuously has been achieving results through a comprehensive coverage and analysis of information that serve the intelligence and investigation teams. Compared to data from previous years, there is an improvement in the effectiveness of information sharing and conducting joint investigations between different law enforcement institutions<sup>52</sup>. The NCCC, through the investigative units of the Ministry of Interior and the Financial Intelligence Unit, by order of the Public Prosecutor's Office, has frozen assets in the amount of about EUR 1,000,000 in the period from March to August 2020..

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52 694 requests for individuals and 81 requests for legal entities were exchanged in 2019, whereas 1102 requests for individuals and 120 requests for legal entities were exchanged in the period January-October 2020.

53 Official Gazette No. 221/20;

## Arms trade

A Rulebook on the technical specifications for deactivation of firearms, the form and content of the template for marking deactivated weapons and the form and content of the template of the certificate for deactivation of firearms have been adopted<sup>53</sup>, which has been harmonised with Regulation (EU) 2018/337 of 5 March 2018 amending the Implementing Regulation (EU) No. 2015/2403 of the Commission from 15 December 2015.

## Short-term priorities

### Legal framework

A new Strategy and Action Plan for Small Arms and Light Weapons will be adopted. A Law on Payment Services and Payment Systems as well as a Law on the Office for Property Restitution will be adopted. A new National Threat Assessment in the area of Organised and Serious Crime (SOCTA) will be adopted. Procedures for conducting financial investigations in the Ministry of Interior, Financial Intelligence Unit, Customs Administration and Public Prosecutor's Office, as well as coordination procedures for the public prosecutors will be adopted to unify the manner of operation of the financial investigation units. At the same time, the Department of Cybercrime and Digital Forensics will develop Standard Operating Procedures for collecting information from the dark web.

### Institutional framework

An initiative will be submitted to join Europol's new analysis files and involvement of law enforcement services in the operational activities of EMPACT in order to strengthen international police cooperation. The capacities of NCCG will be strengthened with the development of a software solution iBase - a database that will enable storage and processing of data in NCC and development of IT infrastructure. The monitoring of the functioning of the investigation centres in the main Public Prosecutor's Offices will continue.

The capacities for conducting financial investigations will be increased through the implementation of multidisciplinary and continuous training of the employees in the financial investigation units in the Ministry of Interior, FIU and the Customs Administration, including strengthening of the personnel and institutional capacities. A platform will be established for collection, processing and presentation of collected data on specific cases and the manner of their distribution to other national institutions when undertaking appropriate procedural actions related to detection, seizure, freezing and confiscation of property.

The construction of a new building for the needs of the Department for Forensic Technical Examination and Expertise and Procurement of Equipment, within the IPA 2016 programme, will strengthen the forensic capacities of the police. Additionally, within the IPA 2014 programme, equipment will be procured for implementation of the System for Disaster Recovery and Ensuring Continuity of Business



Operations, as well as modernisation of the IT infrastructure at the headquarters of the Ministry of Interior.

A campaign will be launched to raise public awareness of the dangers of the use of small arms and light weapons, in order to reduce the manifestation of weapons in the community and to change the "culture towards weapons". The seized weapons will be destroyed, as well as various unusable and permanently damaged weapons used for official service.

The national database for searching for persons and vehicles will be connected with the INTERPOL databases for searching for persons and vehicles in order to increase the national capacities for access to international databases. Additionally, the Department for Cybercrime and Digital Forensics will be connected to the INTERPOL I-24/7 network, so that employees can use the INTERPOL Child Sexual Exploitation (ICSE) database, as well as other tools of INTERPOL intended for suppression of the cybercrime. The capacities of the Sectors of Internal Affairs in dealing with cybercrime and providing electronic evidence will be strengthened, and in accordance with the Cybercrime Strategy, MC4 (Macedonian platform for reporting cybercrime) will be created.

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## Medium-term priorities

### Legal framework

The National Bank will establish a single Register of Bank Accounts following the adoption of the Law on Payment Services and Payment Systems. The Financial Intelligence Unit will have direct access to the identity information of the account and safe holders. Bylaws based on the Law on Office for Restitution of Property will be enacted.

A Cybercrime Strategy for the period 2022-2026 will be adopted.

### Institutional framework

Several activities are planned in the medium term in order to strengthen the forensic capacities of the police. For the needs of the laboratories located in the new building of the Department for Forensic Technical Examinations and Expertise, material and technical equipping with bio-laboratory equipment will be carried out. Accreditation will be provided through maintenance of the quality system, in accordance with the ISO 17025 standard and the quality system will be improved in accordance with the ISO

17025 standard. The activities of the regional organisational units of the forensics will be standardised through reconstruction and renovation of the office space and with material-technical equipment and professional training of the staff. Forensic capacity for on-site investigation into chemical, biological, radioactive and nuclear (CBRN) incidents will be strengthened through CBRN incident training. A Triage system for confiscated computer equipment or digital evidence media will be established.

## HUMAN TRAFFICKING

### Current situation

The National Unit for the Suppression of Migrant Smuggling and Trafficking identified five victims of human trafficking during 2020. There is an increasing trend in trafficking of children.

An external evaluation of the Strategy for Combating Trafficking in Human Beings and Illegal Migration of the Republic of North Macedonia 2017-2020 was conducted.

### Short-term priorities

#### Legal framework

A new *Strategy for Combating Trafficking in Human Beings and Illegal Migration of the Republic of North Macedonia 2021-2025 and an Action Plan* will be adopted. The Criminal Code will be amended in the penal provisions for combating trafficking in human beings in order to comply with Directive 2011/36/EU. A Law on Payment of Monetary Compensation to Victims of Crime will be adopted, as well as a Rulebook on the form of the request for payment of monetary compensation to victims of crime by violence. A revision of the existing standard operating procedures for dealing with unaccompanied foreign children and SOP for dealing with vulnerable categories of foreigners is envisaged.

#### Institutional framework

New local commissions for fight against trafficking in human beings will be set up in cities where such need has been identified and the sustainability of the mobile teams in charge of identification of vulnerable categories, including victims of human trafficking, will be ensured.

Material and technical equipping of the National Unit for Suppression of Migrant Smuggling and Trafficking in Human Beings will be provided, as well as strengthening the capacities of relevant participants - Offices of the National Coordinator for Combating Trafficking in Human Beings and Illegal Migration, the National Rapporteur for Combating Trafficking in Human Beings, as well as the existing local commissions. Trainings for identification of victims of human trafficking and their reintegration will be conducted on continuous basis. A working group will be established and expert assistance will be provided to improve the legislation in order to ensure more effective protection against trafficking in human beings for the purpose of labour exploitation.

## Medium-term priorities

### Legal framework

The implementation of *the Strategy for Combating Trafficking in Human Beings and Illegal Migration 2021-2025 and the Action Plan* will continue. Amendments to the Law on Labour Inspection and the Law on Inspection Supervision will be adopted in order to clearly increase the mandate of the labour inspectors in preventing human trafficking. At the same time, amendments to the Law on Local Self-Government will be adopted, in order to increase the competence of the local inspection bodies for dealing with human trafficking, and of other acts that regulate the procedure and competence of the communal, construction, environmental inspectors and more. There will be continuous activities on maintaining and strengthening the regional network of coordinators for combating human trafficking. A Memorandum of Cooperation will be signed for the exchange of information in the area of combating human trafficking between the Republic of North Macedonia and Greece.

### Institutional framework

Appropriate changes in the legal framework will be prepared to increase the scope of competencies of the labour inspectors in the area of prevention of trafficking in human beings.

# COMBATING TERRORISM

## Current situation

*The Joint Action Plan for Combating Terrorism for the Western Balkans between the European Commission and the bodies of the Republic of North Macedonia*, as a framework for joint action in the fight against terrorism, is continuously implemented. The Government adopted the National Risk Assessment in March 2020 in terms of Money Laundering and Financing of Terrorism.

*A National plan for reintegration, resocialisation and rehabilitation of returnee fighters and members of their families* has been adopted with participation of several state institutions and social stakeholders in order to implement the identified priorities in the prevention of violent extremism and radicalisation. An operational application for secure exchange of information – SIENNA was established in the Sector for Fight against Terrorism, Violent Extremism and Radicalism in the Bureau of Public Security (PSB) in the Ministry of Interior in order to enable direct contacts with all counter-terrorism units of the EU member states and the operational cooperation partners.

Instructions for action of the Ministry of Interior in case of terrorist acts have been adopted. In that direction, the Ministry of Interior has developed indicators for identification of possible perpetrators of terrorist activities and their monitoring, as well as determination of indicators for identification of possible targets of attack.

An electronic platform with various functions was created that enable users to read and share relevant documents, research papers, events and the like.

The activities envisaged by the Twinning project "*Strengthening National Coordination Capacities in Preventing and Dealing with Violent Extremism and Fight against Terrorism*" continue to be implemented. An Inter-Ministerial Working Group was established within this project with a task of creating a national action team for fight against terrorism and development of standard operating procedures.

## area 3.24.7

### Short-term priorities

#### Legal framework

Alignment of the national legislation with the European standards in the area of terrorism will continue. Amendments to the Law on Criminal Procedure will be prepared in order to extend the period for deciding on detention of a suspect for terrorism-related crimes, with the possibility of an extension for additional 48 hours, based on a court decision, in order to allow public prosecutors additional time to conduct complex investigations into terrorism-related offenses. The Law on Ratification of the International Convention for the Protection of All Persons from Enforced Disappearance will be adopted and the country will accede to the Additional Protocol of the Council of Europe Convention on Prevention of Terrorism from 19 May 2015.

The Office of the Security and Intelligence Service Coordination Council will adopt a Joint Assessment on Terrorist Threats, based on an analysis by the relevant institutions that will be updated periodically. Amendments to the Guidelines for anti-terrorist protection of buildings will be adopted.

A new *Strategy and Action Plan for combating money laundering and financing of terrorism* (2021-2023) is planned to be adopted in the area of *prevention of financing of terrorism*. A Law on Prevention of Money Laundering and Financing of Terrorism and bylaws will be adopted in order to comply with Directive V (2018/843) and an assessment of the risks to the non-profit sector from financing of terrorism will be made.

#### Institutional framework

A reform package which envisages the establishment of a new organisational structure is planned to be adopted, as well as to establish mechanisms for closer cooperation of the structure with NCPVEFAT in order to strengthen the national capacities of the Office of the National Coordinator and the National Committee for Prevention of Violent Extremism and Fight against Terrorism (NCPVEFAT). Rules of Procedure of the National Committee (NC) will be adopted, which define the rights, obligations and responsibilities of all members of the National Committee, as well as the manner of their coordination.

A multi-agency team will be established at the local level to deal with the reintegration of foreign terrorist fighters and their families on case-by-case basis. The capacities of the local civil society





organisations and youth and sports associations for prevention and suppression of violent extremism will be built, and this will be carried out through dedicated trainings.

## Medium-term priorities

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### Legal framework

Amendments to the Criminal Code for harmonisation with Directive 2017/541 from 15 March 2017 on fight against terrorism will be adopted, in order to replace the existing Framework Decision of the Council for Fight against Terrorism 2002/475/JHA and amend the Council Decision 2005/671/JHA, including the Additional Protocol to the Council of Europe Convention for Prevention of Terrorism from 19 May 2015.

A Law on the protection of the Critical Infrastructure will be adopted, in accordance with Council Directive 2008/114/EC, on identification of the European critical infrastructure and assessment of the need to improve its protection.

### Institutional framework

A Programme for treatment of convicts and juveniles who have elements of radicalisation will be adopted in order to improve the monitoring of the radicalised convicts.



# FIGHT AGAINST DRUGS

## Current situation

The Law on Control of Narcotic Drugs and Psychotropic Substances is continuously implemented, especially in the area of control of production and the conditions for production and trade. Evaluation of the National Drug Strategy 2014-2020 has been prepared and a working group was established to prepare a new *National Drug Strategy 2021-2029 and an Action Plan*.

The cooperation with the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA) continued, especially in the area of transposition of the European legislation. Annual reports are sent of drug seizures into the country at the request of the Mini Dublin Group for the current year, including movement routes, drug prices on the illegal market, and annual drug poisonings. In addition, Annual Questionnaires on Drug Regulations, Demand, and Drug Use, Trends in Drug Trafficking, New Psychoactive Substances, Arms Trafficking and Human Trafficking are all sent to UNODC.

## Short-term priorities

### Legal framework

The *National Drug Strategy 2021-2025* with the Action Plan will be adopted and their implementation will begin. A new Law on Control of Narcotic Drugs and Psychotropic Substances will be adopted. The lists for classification of substances and plants in the lists of international conventions for narcotic drugs and psychotropic substances in the category of narcotic drugs and psychotropic substances will also be revised. There will be continuous improvement of the cooperation between the national and international competent institutions, through exchange of information and profiling of the organised criminal groups, as well as participation in international events.





## Institutional framework

The cooperation between the national and international competent institutions will continue. The capacities of the national institutions and the capacities of the laboratories will be built in terms of detection of new psychotropic substances.

## Medium-term priorities

An Agency for Control of Cultivation and Extraction of Cannabis and Cannabis Products for Medical and Scientific Purposes, as well as a Centre for Monitoring Drugs and Drug Addictions will be established, in accordance with the new Law on Control of Narcotic Drugs and Psychotropic Substances. Bylaws arising from the Law on Control of Narcotic Drugs and Psychotropic Substances will also be adopted. There will be continuous activities on strengthening the institutional capacities and inspection services in the fight against drugs.

# CUSTOMS COOPERATION

## Current situation

The nCEN system is fully operational and in use, meaning that information is already being exchanged with the countries using the system. An initiative has been launched for introduction of the SIENNA system in the Sector for Control and Investigations, for the purpose of timely exchange of information and requests to the beneficiary countries, as well as its application in participation in international operations.

The new Financial Investigation Service is already working on the first cases and is gradually getting into the specifics of the financial investigation process. An inspector from the Sector for Control and Investigations has been appointed with an office at the Skopje International Airport and as a person to work with API/PNR, which is also preparation for the PIU, with implementation of the planned legal changes.

## International operations and projects

The Customs Administration continuously participates in the activities of the World Customs Organisation (SELEC), as well as in other multilateral and bilateral workshops and educational projects. At the same time, it cooperates bilaterally on current cases with the customs administrations of the neighbouring countries and EU member states, but also implements coordinated joint controls and actions with the neighbouring countries. It participates in international operations on regular basis<sup>54</sup>.

## Short-term priorities

### Institutional framework

Additional inspectors will be appointed in the investigation centres to strengthen the administrative capacity. The interoperability system will establish the exchange of data and documents with institutions in the area of justice and home affairs, and will take part



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54 GLOBAL SHIELD, SPIDER WEB, VIRIBUS, OPSON VIII, "EEL-LICIT" TRADE, THUNDERBALL, GAMES 2019, VIGILANTIS, LANDLOCK, PANDORA, PANGAEA XII, DEMETER V, WESTERN BALKANS 2019, LYNX, ATHENA, ARMSTRONG and ECLIPSE.



in the project for Digitalisation of the orders for special investigative measures (PIM) with the Public Prosecutor's Office;

A PPD and a technical specification for development of a Control and Investigation System (LES or LEITS) will be prepared. Criteria for risk analysis will be implemented for the Electronic System for Monitoring of Excise Goods in the NCTS, in order to more effectively prevent and detect fraud with excise goods documentation.

The capacities of the Financial Investigation Service will be strengthened and the technical equipment of the Control and Investigation Sector will be improved. A Sector for Pre-Investigation Measures will be established and will be properly connected with the Operational-Technical Agency (OTA).

## Medium-term priorities

### Institutional framework

The Control and Investigation System will be developed and will be continuously upgraded with additional modules for interoperability. The API/PNR system (Advance Passenger Information/Passenger Name Record) will also be implemented, by amending the Law on Customs Administration and procurement and using sophisticated equipment to increase the number of inspections in a shorter period of time and exchange of information and scans with the neighbouring customs administrations.

# COUNTERFEITING OF THE EURO

## Current situation

The National Bank and the Ministry of Interior established communication through the exchange of encrypted messages in order to improve the process of exchanging information on registered counterfeit money. A Cooperation Agreement was signed between the National Bank and the European Central Commission for Coins, as well as cooperation agreements between the National Bank and the EC and with the European Central Bank, in the area of protection of euro coins and banknotes from counterfeiting.

## Short-term priorities

### Legal framework

Amendments to the Criminal Code will be adopted in order to harmonise the criminal offense of “counterfeiting money” with the Council Framework Decision (2000/383/JHA) of 29 May 2000, in order to increase protection through criminal penalties and other sanctions against counterfeiting. The standard operating procedures for the Central Office for Investigations in the area of euro counterfeiting and money counterfeiting will be reviewed. A technical solution will be prepared for realisation of the project for electronic inter-institutional connection with the National Bank of the Republic of North Macedonia.

### Institutional framework

The capacities of the Central Office for Counterfeit Money will be strengthened through trainings of the staff of the Ministry of Interior in the area of combating counterfeiting of money, CUUFP for identification of counterfeit currencies and use of the counterfeit money database.







## Medium-term priorities

### Institutional framework

The Central Office for Investigations will be materially and technically equipped. At the same time, this Office will undertake activities for electronic connection of the database with the other institutions involved in combating counterfeiting of the euro currency.







II

# ECONOMIC CRITERIA

# Summary

The economic activity decreased by 4.5%, which is within the forecasts in 2020. The reduced economic activity, as expected, is mainly due to the unfavourable developments in the second quarter when the real GDP decreased by 14.9% on an annual basis, due to restrictive measures introduced with an intention to prevent the spread of the coronavirus in the country and the deteriorating international environment, which had reflection on the activity of many service activities, including construction and industry. In the third and fourth quarters, the decline in economic activity slowed down significantly i.e. a decline of 3.3% and 0.7%, respectively, in a situation of slower pace of decline in activity in the industrial and service sector i.e. more favourable movements in exports and the investment activities and continuous growth of public spending in order to deal with the pandemic.

The response of the fiscal policy to the pandemic in the country was rapid and significant in supporting enterprises and employees in the most affected industries and the most vulnerable populations, which resulted in mitigating the decline in the private consumption and in the employment caused by the pandemic.

The economic growth is expected to move into the positive zone in 2021, amid expected recovery of the investments, consumption and external demand, with a projected growth of 4.1% according



to the baseline scenario, which assumes a weakening of the health crisis and a gradual improvement of the epidemiological situation, better utilisation of production and service capacities, favourable effects from the economic measures as well as increased confidence among consumers and investors.

In terms of the labour market, employment continued to grow in the first quarter of 2020, followed by some deterioration in the following quarters, as a result of the effects of the pandemic, which were limited under the circumstances of Government support for companies in order to retain the jobs. Thus, according to the Labour Force Survey, the average number of employees in 2020 decreased slightly by 0.3% compared to 2019. The average unemployment rate in 2020 is 16.4% and is reduced by 0.9 percentage points compared to 2019. Under the circumstances of improved expectations among the business entities, increased investments and economic activity in 2021, employment growth is projected of 1.9% according to the baseline scenario, which is also encouraged by the active measures and employment programme.

# COVID-19

# EXISTENCE OF A FUNCTIONING MARKET ECONOMY

## Findings and recommendations from the EC 2020 Report

North Macedonia has made **limited progress** and is at a **good level of preparation** in developing a functioning market economy. Economic growth accelerated in 2019 as investment picked up, but, since April 2020, the COVID-19 crisis has left its mark on the economy and on public finances. The authorities have taken a range of measures supporting companies and households, to mitigate the economic and social impact of the crisis. In the reporting period, fiscal transparency was further improved. However, fiscally significant reforms of income taxation and the pensions system, introduced at the beginning of 2019, were reversed. Moreover, public capital expenditure implementation remained markedly low, and public debt stabilisation is not yet secured. Before the crisis hit, unemployment rates declined further, also for young workers, and informal employment decreased slightly. However, the positive trend is likely to be reversed due to the COVID-19 crisis. Participation rates remain low, even though the share of women in the labour market increased. The financial sector remained robust and lending to the private sector strengthened. The business environment continues to be impeded by a high share of the informal economy.

In order to improve the functioning of the market economy, North Macedonia should in particular:

- ▶ ensure fiscal space to support post COVID-19 crisis recovery by improving revenue collection, implementing more growth-inductive public infrastructure spending, and improving the management of public investments;
- ▶ strengthen fiscal governance, transparency and sustainability by establishing fiscal rules, a proper medium-term budget framework, and a fiscal council;
- ▶ continue implementation of the 2018 Strategy and Action Plan for formalising the informal economy, and address underlying incentives for informal employment;
- ▶ improve the effectiveness and transparency of state aid.

# Macroeconomic stability<sup>55</sup>

The macroeconomic policy is aimed at supporting the macroeconomic stability and laying the foundations for accelerated economic growth in the long run, raising the potential for economic growth and ensuring sustainable and inclusive growth, implementation of capital infrastructure projects, support for investment and export activity of the enterprises, increasing employment in the economy through active employment measures and raising the living standard of the citizens.

## ECONOMIC ACTIVITY

The economic activity decreased by 4.5%, which is within the forecasts in 2020. The reduced economic activity, as expected is mainly due to the unfavourable developments in the second quarter when the real GDP decreased by 14.9% on annual basis, due to the restrictive measures intended to prevent the spread of the coronavirus in the country and the deteriorating international environment, which affected the activity of many of the service activities, the construction and industry. In the third and fourth quarters, the decline in the economic activity slowed down significantly i.e. a decline of 3.3% and 0.7%, respectively, in a situation of slower pace of decline of the activity in the industrial and service sector i.e. more favourable movements in exports and investment activity and continuous growth of public spending in order to deal with the pandemic.

In 2020, the activity in the industrial sector decreased by 10.0%. Industrial production suffered the greatest consequences in April and May, followed by a significant mitigation of the decline, and in December it had increased 2.5% on an annual basis. The activity in the service sector decreased by 2.6%, which is mainly a result of the unfavourable tendencies in the trade, transport and catering activity, where a decline of 7.9% was registered, partially offset by the favourable tendencies in the information-communication activity, where there is activity growth of 2.8%. The construction sector dropped by 2.1% on a real basis, which, according to the high frequency data was due to the unfavourable developments in the building construction sector, whereas the agricultural sector

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<sup>55</sup> The areas related to economic activity, labour market and public finances include projections of the Ministry of Finance, while the areas of monetary policy, inflation and external sector are projections of the National Bank.



registered a real growth of 1.7%.

The decomposition of GDP by the expenditure side shows that private consumption and investment have a negative contribution to the economic activity in 2020, while the contribution of public consumption and net exports is positive. The private consumption dropped by 5.6% on a real basis amid a significant decrease of the remittances. A more significant decline in consumption was prevented through the measure for financial support of companies for payment of salaries, the measure for payment cards intended for citizens for higher consumption, as well as the credit support by the banks. The public consumption increased by 10.1% due to expenditures related to the health crisis. Gross investments dropped by 10.2% on a real basis. Exports of goods and services decreased by 10.9% and imports by 10.5% on real basis. Monthly data on foreign trade show a high decline in exports and imports in the first half of the year, but also an increase in exports in the second half of 2020.

The economic growth is expected to move into the positive zone in 2021 amid expected recovery of the investment, consumption and external demand with a projected growth of 4.1% according to the baseline scenario, which assumes a decline of the health crisis and a gradual improvement of the epidemiological picture, improves utilisation of the production and the service capacities, favourable effects from the economic measures, as well as increased confidence among consumers and investors.

The planned fiscal consolidation, the redesign of the budget policy and the strategy for economic recovery and accelerated growth (SmartER Growth) are a solid basis for acceleration of the economic growth in the coming period, returning the economy to the pre-crisis growth path in the second half of 2022 and providing faster dynamics of the economic growth afterwards.

The export activity of domestic companies is projected to have a real growth of 14% in 2021. The contribution of the domestic demand to economic growth is expected to move into the positive zone amid a recovery of the investment activity and private consumption. The real growth of gross investments is projected at 7.7% and the return of confidence of the business entities, the public sector investment planned, the increased support for private sector development, innovation and strengthening competitiveness – are all expected to have a significant impact on the investments. The private consumption is projected to grow by 3.5%, as a result of the expectations for improvement of the labour market situation, the increased inflow of remittances, and also the credit support from banks. The growth of the public consumption is projected at 4.3%, with a note that the expected fiscal impulse will be channelled

through capital expenditures. The recovery of the domestic demand and the growth of the export activity in 2021 result in increased import of intermediate, investment and consumer goods, with which the real growth of the import is projected at 13.2%.

The baseline macroeconomic scenario is accompanied by risks, which are mainly related to the duration and consequences of the health crisis, the intensity of the effects on the economy and the results of the economic measures for mitigation of the crisis.

## MONETARY POLICY

The monetary policy in 2020 is focused on maintaining price stability, by maintaining a stable exchange rate of the denar against the euro. At the same time, the Central Bank is also focused on further maintenance of the financial stability, as an important component of the macroeconomic stability. In the period January - October 2020, the monetary policy was further relaxed through a gradual reduction of the key interest rate to 1.5% (first in January, and after the beginning of the COVID-19 crisis - in March and May), which is the historically lowest level. This relaxation is done in a situation of global risks related to the spreading of the coronavirus pandemic, preventive health measures in the country and their impact on the economy, and at low inflation and a solid external position. At the same time, measures were taken to increase the liquidity of the banking system by reducing the supply of treasury bills (twice during the second quarter), as well as measures to support crediting by reactivating the measure to reduce the minimum reserve requirement for loans approved to sectors mostly affected by the pandemic. These steps are aimed at providing support to the Macedonian economy by maintaining credit flows and are complementary with other measures taken i.e. regulatory changes that provide greater flexibility for the banks in the lending process. In accordance with the conclusions from the Economic-financial dialogue with the EU, as a continuation of the activities in 2019, several priority activities were identified in 2020 as well for implementation of the Denarisation Strategy, which have been worked upon during the year, by involving several competent institutions.

## INFLATION

The average annual inflation in the period January - October 2020 amounted to 1%. The movement of the inflation was mainly

influenced by higher food prices with an additional contribution from higher prices of tobacco products and electricity. On the other hand, the prices of the transport services had a negative contribution. The inflation risks are mainly related to the uncertainty about the movement of the commodity prices in the global markets.

## LABOUR MARKET

The positive developments on the labour market continued in the first, but were stopped in the second quarter of 2020 amid worsening of the health and economic crisis. The unemployment rate according to the State Statistical Office decreased to 16.2% in the first quarter, but rose to 16.7% in the second quarter, which is still lower compared to a year earlier when it was 17.5%.

The average monthly net salary in the period January - September 2020 was higher by 8.1% on a nominal basis, with a slowdown of the salary growth in the second quarter, reflecting the negative impact of the pandemic on the domestic economy. The growth is due to the increase in the level of the minimum salary due to the Government measure for financial support to employers who will increase the salary to a certain amount, the effect from the increased salaries in the public sector employees in September 2020, as well as the additional increase of salaries in the education and the health sectors this year. The fiscal measure for financial assistance to employers affected by the health crisis for payment of salaries mitigated the downward trend of the salary growth in the second quarter.

In a situation of improved expectations of business entities, increased investments and economic activity, employment growth is projected and encouraged in 2021 through active employment measures and programmes and the support of domestic and foreign companies for creating new jobs. According to the baseline scenario, the number of employees is expected to grow by 1.9% in 2021, which will result in a further reduction of the unemployment rate in the following year.

The implementation of the Strategy for Formalisation of the Informal Economy 2018-2022 continued in 2020 and a Report on the Implementation of the Action Plan was prepared in August 2020. In the first half of 2021, a Report will be made on the current implementation of the Strategy and a new Action Plan for the period from 2021 to 2022 will be prepared.

## EXTERNAL SECTOR

The **current account** deficit in the balance of payments amounted to EUR 235 million, or 2.2% of GDP in the first two quarters of 2020. The current account deficit, compared to the same period of the previous year, narrowed slightly by 2.4%. Observed by individual components, a lower deficit in the trade of goods was realised. In other words, the pandemic and the restrictive measures for prevention of the infection adversely affected both sides of the foreign trade, whereby the decrease of the import was bigger in relation to the decline in the export. Namely, there was a lower deficit in the primary income, which, together with the higher surplus in the services, worked in the direction of narrowing the current account deficit. However, this effect was offset by lower net inflows based on the secondary income. Within the secondary income, the net income from the purchased foreign assets on the foreign exchange market (which is used as an indicator for the private cash transfers) was lower by about 40% compared to the same period of the previous year.

Net inflows were realised in the first half of 2020 in the **financial account** with high inflows in portfolio investments (new government Eurobond), net inflows of foreign direct investments and net inflows in long-term loans (foreign borrowing by the Government) and trade loans. Foreign direct investments had net inflows of EUR 112 million or 1% of the GDP (entirely in the first quarter), as a result of the positive developments in the owner equity and reinvested profits and there were net outflows based on debt instruments (intercompany debt).

At the end of October 2020, *gross foreign currency reserves* amounted to EUR 3,541 million, which is an increase of 8.5% compared to the situation at the end of 2019, mainly due to inflows based on the new Eurobond and the Government borrowing from abroad intended to overcome the consequences of the pandemic. Net sales were realised on the foreign exchange market, which has been slowing down in recent months. Foreign exchange reserves are maintained at an adequate level, providing an average coverage of the import of goods and services from the following year of about four months.

The total trade deficit<sup>56</sup> in the period January - September 2020 narrowed by 6.2% with annual export decline of 15.2% and simultaneous decline of imports by 13.2% (but with higher absolute decline in imports). The decline in exports is widely dispersed by particular groups of products and reflects the consequences of

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<sup>55</sup> According to foreign trade statistics, where the imports are shown on CIF basis.

the pandemic, with the largest contribution from lower exports of machinery and transport equipment and chemical products i.e. exports of the new export-oriented facilities with foreign capital, given their presence in total exports. The decrease in the imports is mainly due to the lower imports of raw materials, equipment and energy, given the reduced economic activity due to the pandemic and lower import prices of the oil derivatives. The highest deficit in trade in the analysed period was realised with Great Britain and the highest surplus was realised with Germany.

## PUBLIC FINANCES

In 2020, the total budget revenues were realised at 96.7% according to the Budget of the Republic of North Macedonia for 2020<sup>57</sup> and are 6.9% lower than the budget revenues in 2019. Tax revenues and contributions participate with 91.4% in the structure of total budget revenues and reached 99.5% of the annual plan. In 2020, the total expenditures were realised at 96.4% of the annual plan and are 12% higher than the budget expenditures realised in 2019. The expenditure side of the Budget is growing on an annual basis, mostly as a result of the measures taken in the fight against the COVID-19 crisis. Within that framework, current expenditures amount to 97.6% of the annual plan and are 14% higher than the previous year, while capital expenditures are realised at 82% of the expenditures planned for 2020. Thus, the Budget of the Republic of North Macedonia realised a deficit of 8.1% i.e. the primary deficit is 6.9% of the GDP for 2020.

The following fiscal year is characterised by the still present unpredictability of the duration and intensity of the global health pandemic, its implications on the budget and the economy as a whole, and laying of foundations for solid economic recovery and accelerated growth. Despite the present risks related to the health crisis, and taking into account the four packages of economic measures implemented so far, the Budget for 2021 is expected to ensure the stability of the social transfers and to provide policies that will continue to help the implementation of a rapid exit strategy in order for the positive trends in the Macedonian economy to continue.

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<sup>57</sup> According to the Amendments to the Budget of the Republic of North Macedonia for 2020 (Official Gazette No. 262/20) and the Decision on redistribution of funds between the budget users of the central Government and between the funds.

The total revenues of the Budget for 2021 are at the level of MKD 212.6 billion and are 8.3% higher compared to the second Supplementary (rebalanced) Budget for 2020, while the expenditures are planned at the level of MKD 247.5 billion or 2.1% lower compared to the second Supplementary (rebalanced) Budget 2020, which will result in a budget deficit of 4.9% of the planned GDP. The Government debt is 51.2% of GDP at the end of 2020, whereas the public debt is 60.2% of GDP.

The preparation of the *Budget for 2021* was in line with the concept of smart finance. It was planned strategically, on a long-term basis, responsibly, sustainably, transparently and based on the reforms, involving the business community, experts, university professors and the international community. A new concept begins with this Budget, where the fiscal year of 12 months is now changed to a five-year framework. A strategy for economic recovery and accelerated growth or SmartER Growth is planned, including budget consolidation policies from 2021 to 2025 and a public investment plan 2021-2025. A gradual reduction of the budget deficit is envisaged in the next five years, that is, it is projected at -3.8% in 2022, -3.2% in 2023, -2.8% in 2024 and -2.1% in 2025.

The Ministry of Finance is working on a Plan for financing economic recovery and accelerated growth, which aims to unite all initiatives, plans and funds allocated by the Government and international financial partners for implementation of capital projects for this period. The purpose of this document is to design innovative ways to conduct public investment, using the funds available from official creditors for mobilizing of the private investment. This will contribute to increase of investments of several times, as well as implementation of the fiscal consolidation. The strengthening of private investments will be supported through development funds, innovation support funds, guarantee fund, equity funds, venture capital fund and similar instruments to support export companies, small and medium enterprises, as well as social enterprises. Public-private partnerships, concessions and other instruments for financing public capital projects are planned, as well as private sector projects. The plan will especially support environmental and climate projects, innovations, and fairer society initiatives.

The draft of the *new Law on Budgets*, which is in Parliamentary procedure, was initially published on ENER for public consultations, and is expected to be adopted by the Assembly in 2021. The new Law is in line with the commitment to improve the public finance management system, aiming to provide a framework for conducting sound, predictable and sustainable fiscal policy and increase of the budgetary discipline and accountability.

The Law contains provisions regarding the publication of a register of public sector entities; establishment of an independent fiscal



council; improving the process of medium-term fiscal strategy, preparation of a baseline scenario and new initiatives; improving transparency (submission of data on public enterprises, local self-government units); and establishing an Integrated Public Finance Management Information System.

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# Free interaction of market forces

## STATE-OWNED COMPANIES (PRIVATISATION OF STATE-OWNED COMPANIES)

Economic activities in the Republic of North Macedonia are based on dominant private property with full functional market economy based on the principles of free interaction of supply and demand.

The further privatisation process involves adjustment of the public sector to the market. In the procedure of transformation of the public sector entities, a legal possibility was identified for further sale of separate parts, organised as companies with state capital. The implementation of sale of Government shares or of the Pension and Disability Insurance Fund remains.

The further status of the company “11 Oktomvri Eurokompozit JSC Prilep” (production for special purpose and production of composite materials), in full state ownership, should be determined in the coming period, after a detailed analysis of its economic and financial condition. In the case of “Tutunski Kombinat JSC Prilep”, the strategic partnership with “Philip Morris International Management” is realised, through a company that was jointly established.

The following table shows information about companies who are partially or fully-state owned<sup>58</sup>:

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<sup>58</sup> The data is from the Central Depository of Securities, as of 10 November 2020

|  |                      |
|--|----------------------|
| Number of companies with full or partial state ownership   | 58                   |
| Number of companies fully owned by the state:<br>(Macedonian Post, Macedonian Bank for Support and Development, ELEM, MEPSO, MIA, Eurokompozit JSC Prilep, TPP Negotino, Energetika JSC Skopje, Macedonian Railways JSC Transport, AgriLand Skopje, Macedonian State Lottery, M-NAV JSC Skopje and JSC Airports of the RNM, JSC for management of business premises Skopje, JSC for construction and management of residential and business premises of importance for the Republic and JSC for Water Economy of Macedonia). | 16                   |
| Number of companies in state ownership below 1% of the total capital   | 26                   |
| Number of companies in state ownership between 1% and 10% of the total capital   | 10                   |
| Number of companies in state ownership between 10% and 100% of the total capital   | 6                    |
| Nominal value of the total state capital in the companies  | EUR 1,146.71 million |
| Total state capital in the companies as a percentage of GDP  | 10,23 %              |
| Total state capital in 5 companies with the highest value of state capital<br>(ELEM, Macedonian Telekom (34%), MEPSO, Tutunski Kombinat JSC Prilep and Macedonian Railways Transport JSC)  | EUR 882.56 million   |
| State capital in 5 companies with the highest value of state capital as % of GDP<br>(ELEM, Macedonian Telekom (34%), MEPSO, Tutunski Kombinat Prilep and Macedonian Railways Transport JSC)  | 7,87 %               |
| The share of state capital in the other 53 companies as % of GDP   | 2,36%                |

# No barriers to entry and exit from the market

## MARKET ENTRY

In order to further facilitate the market entry procedure i.e. the registration of new companies, the Law Amending the Law on Companies (Official Gazette No. 38/2014) was adopted in February 2014, which meant switching towards complete electronic registration of DOO, DOOEL, sole proprietors. In other words, with the entry into force of the changes, the registration of these organisational forms is carried out exclusively through the e-registration system.

The Law Amending the Law on Trade Companies (Official Gazette No. 88/2015) stipulates that all other forms of companies should be registered exclusively electronically through the e-registration system. At the same time, in order to further facilitate the administrative procedure, the implementation of this Law was accompanied by ensuring a wide territorial distribution of registration agents as a special category of applicants in the trade register, which contributed to implement the registration process in a single step, without additional need of notarisation of the acts, physical visits to the offices of the Central Registry or provision of a seal.

The total subscribed capital in 2020 for the newly registered companies is as follows:

- Domestic capital in euros, in the amount of 13,945,013.00 and in Macedonian denars, in the amount of 810,210,806.50; and
- Foreign capital in euros, in the amount of 3,773,744.00 and in Macedonian denars, in the amount of 20,269,650.00

The trade register, since it was introduced and until 13 November 2020, has made a total of 108,150 entries on establishment of companies, amended 114,877 entries, deleted 108,159 entries, did a total of 3,098 corrections, a total of 24,196 entries in open bankruptcy and 29,040 entries on open liquidation. There are a total of 10,695 foreign natural persons who are founders of companies and 2,357 foreign legal entities founders of companies.

## BANKRUPTCY AND EXIT FROM THE MARKET

A sale of funds from the bankruptcy estate through an electronic auction was established in the e-bankruptcy system that provides additional transparency of the procedure in order to further strengthen the institutional capacity and transparency of the bankruptcy proceedings. The announcement for sale is now published on the website of the Central Registry 15 days before the auction. The electronic auction was introduced on 10 April 2014 and a total of 4,992 procedures have been conducted by 13 November 2020. Additionally, a new Law on Bankruptcy is being drafted, with financial support from IFC, a member of the World Bank Group, which is in the process a public hearing together with the stakeholders.

## Legal system

### REGULATION OF PROPERTY RIGHTS

#### Current situation

#### Maintenance of real estate cadastre

The implemented electronic cadastre system provides opportunities for regular monitoring of the performance of the Centre for Real Estate Cadastre - Skopje and the real estate cadastre units, as well as monitoring the realisation of the deadlines for acting on cases which are determined by the Law on Real Estate Cadastre. The workload of AREC for 2020 is shown in the table below.

#### Register of foreclosed real estate intended for sale

AREC has established and maintains a register of foreclosed properties intended for sale. This register provides a single place in which every interested investor and buyer of real estate can get accurate information about the real estate available for sale. The data from the register is shown on the portal of the Agency<sup>59</sup> so that any interested investor and buyer of real estate can get accurate information about the property. A total of 506 building units and 134 cadastral parcels were confirmed, as well as 304 infrastructures in the period January - November 2020.

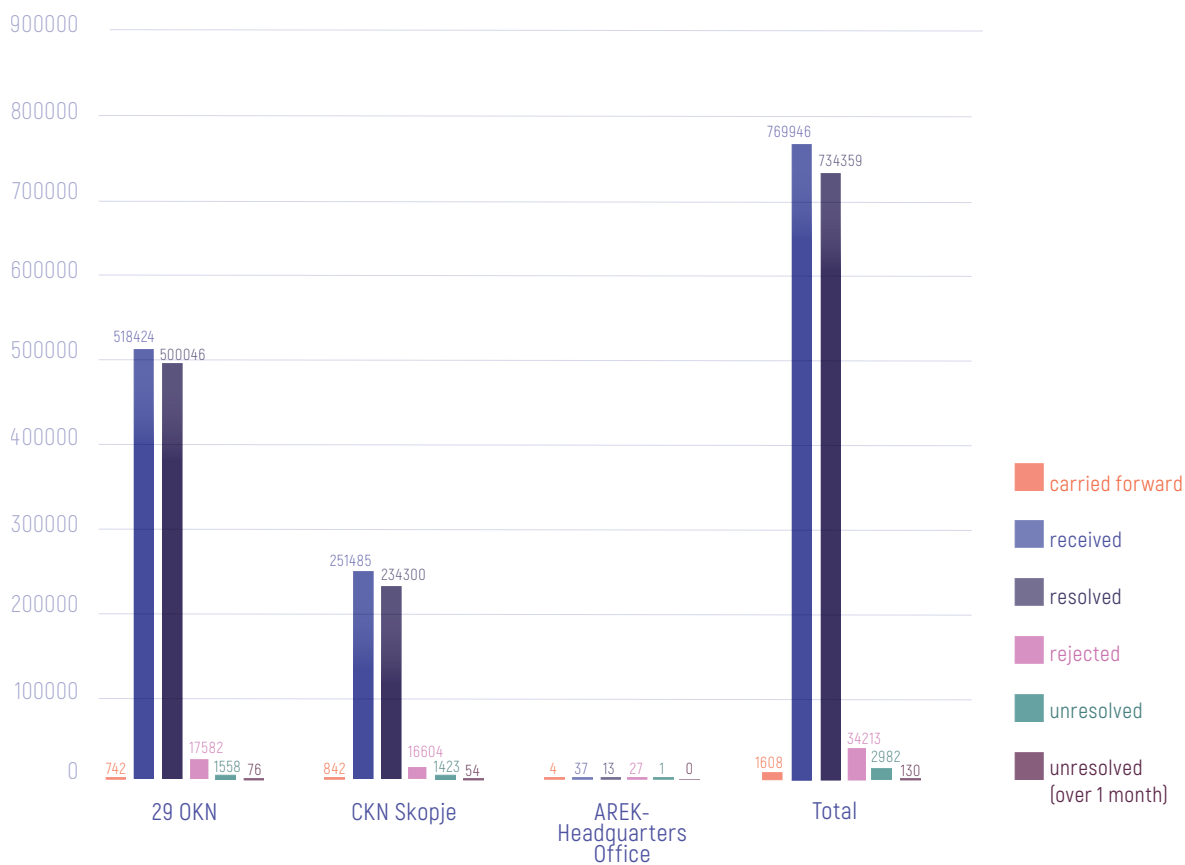
#### AREC distribution system

A total of 22,867 orders were made through the distribution system of AREC (OSSP portal) with a total of 74,631 products in successful orders in the period January - November 2020 of which, according to the product form, 74,454 products were issued in electronic form, 166 products in paper form and 11 services were provided.

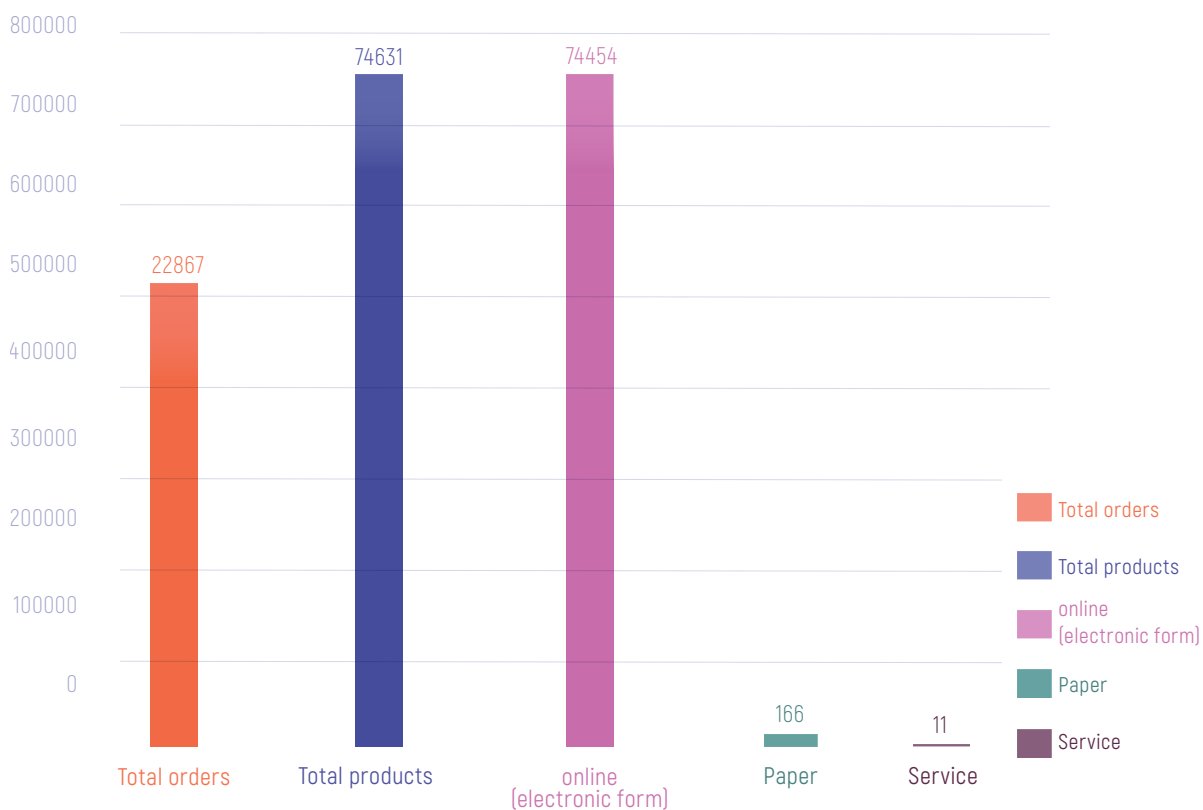
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<sup>59</sup> See <http://katastar.gov.mk/>

### WORKLOAD 2020



### DISTRIBUTION SYSTEM OF AREK





## National Spatial Data Infrastructure (NSDI)

Regarding the activities related to NSDI, the national NSDI-geoportal is being redesigned, harmonised and standardised for spatial data collections. There is also a development of WMS (Web Map Service) and WFS (Web Feature Service) services, as well as collection of information from entities in the NSDI for the purpose of establishing the Register of Spatial Data Collections.

The total number of services available on the National Geo-portal <http://nipp.katastar.gov.mk/> is as follows:

- 86 metadata;
- 24 web services for overview;
- 15 web services for downloading data, which include 15 collections of spatial data, of which 4 collections of spatial data have been harmonised according to the technical specifications arising from the Directive.

Harmonisation and standardisation of the spatial data collections about the administrative units, the digital terrain model, the hydrographic network and the geographical names have been carried out, and WMS and WFS web services have also been created for them.

## Laser scanning of the whole territory

Following the complete delivery of the data from the laser scanning of a part of the territory of the Republic of North Macedonia, with an area of 11,072 km<sup>2</sup>, a distribution LIDAR portal was also made through which the users will be able to review, select and download the LIDAR data. The activities related to laser scanning of the territory of the Republic of North Macedonia will continue to be implemented in 2021, supported by the Government of the Kingdom of Norway (Lidar project).

The plan is to perform laser scanning of the terrain by the end of June 2021 and to produce LIDAR products (DTM/DSM and point clouds) on a territory of 2,829 km<sup>2</sup>, in the south-eastern part of the country, and activities are expected to continue in the rest of the national territory in the following period (by the end of 2021) depending on the financial resources that will be additionally provided by the donor.

## Introduction and implementation of the European Terrestrial Reference System - ETRS89

The preparation of the Study for implementation of new official geodetic reference systems in the Republic of North Macedonia was completed in the first half of 2020, which was realised in cooperation with the Faculty of Civil Engineering in Skopje. The preparation of the Strategy for implementation of the ETRS89-coordinate system and the new state cartographic projection continued. The survey of the passive GNSS network - MAKREF is currently underway at 105 points of the passive network as a geodetic reference basis for the establishment of the European Terrestrial Reference System.

## Data entry on street and house numbers in the database of the Graphic Register of streets and house numbers and maintenance of the Graphic Register of streets and house numbers

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A project on "Cooperation for Digital Democracy" funded by the Kingdom of Sweden was implemented in order to establish the Graphic Register of Streets and House Numbers, in the framework of which field data was collected on streets and house numbers and their acceptance was carried out in a total of 350 settlements in 11 municipalities.

Field data collection for streets and house numbers for 256 settlements on the territory of 11 municipalities is currently in progress within the IPA/2019/PG/0168-6574. The data on the streets and house numbers will be entered in the database of the Graphic Register of streets and house numbers for each settlement separately.

## Short-term priorities

- Laser (Lidar) scanning of the remaining part of the territory of the Republic of North Macedonia, which represents 57% of the total territory of the country (IV quarter 2021);
- Completed preparation of the Lidar products for the

territory covered by the Lidar project (IV quarter 2021);

- Field data collection on streets and house numbers for 256 settlements on the territory of 11 municipalities (III quarter 2021);
- Field collection of descriptive and spatial data on streets and house numbers for 508 settlements in 21 municipalities by the end of (IV quarter 2021);
- Maintaining the national geodetic reference networks and their connection with the networks from the neighbouring countries (IV quarter 2021);
- Establishment of a single database based on a unique identification number (EIB) for state-owned real estate, as well as state-owned real estate used by state bodies and legal entities (II quarter 2021);
- Establishment and maintenance of a Register of spatial data collections (IV quarter 2022);
- Preparation of a Decree on network services relating to the national spatial data infrastructure (IV quarter 2021).

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## Medium-term priorities

- Putting into use of ETRS 89-coordinate system (IV quarter 2025);
- Field collection of data on streets and house numbers for the remaining settlements in order to establish a Graphic Register of streets and house numbers (IV quarter 2023)
- Successive establishment of the Address Register by settlement – migration of address data in the E-CAT system (IV quarter 2025).

## Programmes and projects

- The "Cooperation for Digital Democracy" project, which is financially supported by the Swedish Agency for International Development 2020-2021 will continue with implementation of the Address Register, NSDI, ICT, Scan Centre and Geodesy.
- Under the IPA/2019/PG/0168-6574 programme, the Agency for Real Estate Cadastre received financial support from the European Union for the project Establishment of a graphic register of streets and house

numbers for field collection of graphic and attribute data about the streets and house numbers for 11 municipalities.

- Project - Creating digital terrain data necessary for flood risk mitigation, flood monitoring and flood response operations, as well as reducing infrastructure project costs and improving environmental protection, surveillance and spatial planning between the Agency for Real Estate Cadastre and Statens Kartver for the project, funded by the Norwegian Ministry of Foreign Affairs.
  - Regional SPATIAL Project (Strengthened Professional Access to Information About Land), funded by the Dutch Ministry of Foreign Affairs under the MATRA programme, which aims to improve the capacity of the national cartography, cadastre and land registration agencies in order to provide reliable information on the land of the society, and in function of social and economic well-being. The project will support the AREC in the areas of institutional development, geospatial data management and cartography.
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# Sufficiently developed financial sector

## BANKING SYSTEM

Despite all the risks, which are very downward and which, in terms of sources, are almost entirely related to the COVID-19 pandemic, the banking system successfully maintained its stability in the first nine months of 2020. The resilience of the banking sector to shocks is confirmed with the stress tests conducted, which show a generally good capacity of the banks to absorb credit losses, even in situations of very high extremes and unlikely shocks, which would mean a more pronounced realisation of the credit risk.

In a situation of strong and unpredictable health crisis and a series of measures that have been taken to prevent the spread of the virus, no major shocks were felt in the activities of the banking system. The changes in the activities at the level of the banking

system in the third quarter of 2020, apart from the impact of the pandemic, were largely caused by the exit of one bank from the banking system. However, the performance of the banking system remained solid. The annual growth of the total assets of the banking system at the end of September 2020 was 7.5%, and favourable developments were registered in the deposit and credit activity of the banks. Credit growth at the end of September was 6.7%, while total deposits had almost identical annual growth (by 6.6%) on annual basis. Solid annual growth rates are observed in both sectors from a sectoral point of view. Increased lending activity is still driven by the higher level of household loans (annual growth of 8.3%, at the end of September 2020), but especially noteworthy is the accelerated growth of corporate lending (by 5.2%, at the end on September 2020). The annual growth of the deposit base in the third quarter of the year was mostly (61.4%) a result of the increase in the household deposits (by 5.9%), amid solid growth of corporate deposits (by 8.7%) in terms of the sources of financing. The shares of the total assets of the banking system, loans and deposits in GDP increased on 30 September 2020, compared to the level achieved in the same period of 2019, and reached 83.5%, 51.2% and 60.8%<sup>60</sup>, respectively.

The share of non-performing loans in the non-financial sector in total loans is declining, reaching a historic low of 3.4% (September 2020). Most of the non-performing loans come from non-financial companies. The non-performing loans rate for the corporate sector decreased on an annual basis by 2.6 percentage points, to a level of 5.4% at the end of September 2020. This rate is 1.6% (2.1% at the end of September 2019) for households. The reduction of the non-performing loans is a result of the mandatory write-offs of the fully reserved non-performing loans, but is also due to collection in a form of undertaking of the pledge or if the debt is undertaken by another person<sup>61</sup>. The high coverage of non-performing loans with value adjustment was maintained in the third quarter of 2020 (75.4%), which, together with the satisfactory volume and quality of own funds, limits the potential negative effects on the solvency of banks from eventual full uncollectability of these loans. Banks are prudent in determining the expected credit losses, providing greater coverage with provisions compared to the historical, realised rates of non-collection of loans. This is particularly evident in the corporate loan portfolio, which has a higher inherent risk compared to the household loan portfolio.

Under the influence of the risks of the pandemic caused by COVID-19 in March 2020, the National Bank made regulatory changes in the Methodology for credit risk management in order to mitigate the consequences of the COVID-19 pandemic. It was made possible for the banks, with the consent of the credit users, to make certain reliefs or deferral of the credit obligations in relation to loans,

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60 The data for September 2020 is calculated using the most recent available data on GDP for the second quarter of 2020.

61 Since July 2019, the National Bank introduced an obligation for mandatory write-off of non-performing exposures that are fully reserved for more than one year, and in the previous period (since 1 January 2016 until 30 June 2019), this period was two years.

without such changes receiving a 'restructuring' treatment in order to temporarily reduce the credit burden of the clients of the banks, as well as to facilitate the future access to the credit market for the clients. Furthermore, some relief was also introduced regarding the recognition of the non-performing status i.e. the threshold for acquiring the non-performing status was moved from 90 days to 150 days. The introduced regulatory flexibility refers to loans that used to be collected on regular basis before the beginning of the pandemic. The regulatory change was made in March 2020, which provided possibility for the banks to change the contract terms for the credit exposures that were regular and functional before 25 March 2020, and these changes to pertain for the period March to September 2020, and such credit exposures shall not receive a treatment of restructured credit exposures. At the level of the banking system, the banks eased the conditions to 44.6% of the total loan portfolio and the easing of the payment terms is more prevalent in household loans, where 54.8% of the loans have been changed (mainly the repayment deadline was extended) and this percentage is much lower in enterprises - 33.4% according to the latest available data (referring to August 2020). A new offer followed during the extended duration of the virus pandemic in September 2020 that aimed to change the contractual terms of the loans to citizens, but only for those categories of customers who are most affected by the crisis (lost jobs, significant reduction in income, increased health treatment costs and the like). The data about this second cycle of benefits are not yet available, but in any case the coverage of these loans will be significantly smaller.

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The liquidity and solvency of the banking system were maintained at the usual stable and high level. The banking system traditionally maintains a high volume of liquid assets, which provides high resistance to shocks, but also the capacity for further credit support to the real sector. At the end of September 2020, the liquidity indicators are solid and in a satisfactory range - the shares of liquid assets in total assets, household deposits and short-term liabilities are 29.9%, 58.9% and 50.3%, respectively. The ratio between loans and deposits at the level of the banking system is still under 100% (84.3%) and indicates acceptable frameworks of liquidity risk to which banks are exposed and the existence of room for increased lending activity of banks, supported by domestic sources of funding. The capital adequacy ratio was 16.9% on 30 September 2020. The largest contribution to maintaining the solvency of the banking system in the first nine months of 2020 was the growth of own funds, primarily as a result of reinvested earnings, as well as the emission of new shares at one of the banks. At the aggregate level, the banking system still has "available" capital, which is above the established regulatory and supervisory minimum, which represents 10.1% of total own funds. Analysed by use, almost half of the own funds belong to the capital supplements determined in accordance



with the supervisory assessment, to the protective layers of the capital or are "available", above the required minimum level, which is a particularly significant in a situation of downward change of the economy cycle and in a situation of crisis when these layers of own resources can be used to tackle the various challenges. The new regulation for liquidity risk management is being applied since the beginning of 2021, which introduces the Liquidity Coverage Ratio.

The banks continued the trend of achieving positive financial results in the first nine months of 2020 as well. The indicators that are used to monitor the profitability and efficiency of the banking sector in the first nine months of 2020 are 1.4% (rate of return on average assets), 12.3% (rate of return on average capital and reserves) and 47.9 % (cost to income). In a situation of continuous presence of the negative effects of the COVID-19 pandemic, the banking system increased the impairment and the special reserve in order to cover the credit losses that have already been realised (and arise from non-performing loans), but also the future expected credit losses (arising from the regular loan portfolio). The net interest income continues to be the main component of the total income of the banks (with a two third share), which continued to decline moderately in the first nine months of 2020, amid low interest rates and faster decline in the credit versus deposit interest rates. The expectations for increasing of the non-repayment rates of the loans and the subsequent increase of the impairment costs, as a consequence of the mass approval of grace periods on the regular loans, are expected to affect the financial result of the banking system in the coming period of time.

## INSURANCE

There are 16 insurance companies operating on the insurance market (11 for non-life insurance and 5 for life insurance) as of 30 September 2020. Insurance brokerage activities are performed by 40 insurance brokerage companies and insurance representation activities are performed by 10 representation companies in the area of mediation. There are 7 banks operating in the banking area that have a license to perform insurance representation activities. Gross written premium (hereinafter GWA) in the total amount of MKD 7.52 billion was realised in the third quarter of 2020, which is a decrease of 5.22% compared to GWA realised in the third quarter of 2019 (Q3 2019: MKD 7.93 billion). In the non-life insurance area, the GWA was realised in the amount of MKD 6.34 billion (Q3 2019: MKD 6.70 billion), which is a decrease of 5.39% compared to Q3 2019, and participates in the total structure of the GWA with 84.27% (Q3 2019: 84.42%).

There is a reduction of the premium for: auto liability of 11.51% with GWA of 3.07 billion (Q3 2019: MKD 3.47 billion); total insurance of 2.63% with GWA of MKD 614.82 million (Q3 2019: MKD 631.45 million); accident insurance of 2.63% with GWA of MKD 614.82 million (Q3 2019: MKD 631.45 billion) in terms of the separate classes of insurance. There is an increase in the property insurance of 11.53% with GWA of MKD 1.51 billion (Q3 2019: MKD 1.36 billion).

GWA realised in the amount of MKD 1.18 billion (Q3 2019: MKD 1.24 billion), which is a decrease of 4.29% in life insurance. The life insurance participates with 15.73% in the total GWA of the area of insurance. Negative trend of GDP growth is present in the traditional life insurance with GWA in the amount of MKD 966.29 million (Q3 2019: MKD 1.09 billion) which is a decrease of 11.42%. There is an increasing trend with the life insurance when the investment risk is borne by the insured party, which is 50.20% with realised GWA of MKD 216.90 million (Q3 2019: MKD 144.40 million).

In the period 1 January 2020 – 30 September 2020, a total of 874,276 contracts were concluded, which is a decrease of 30.41% compared to Q3 2019, when 1,256,399 contracts were concluded. Travel insurance decreased by 74.77%, followed by car liability with 15.66%, accident insurance with 2.42%, total insurance for vehicles with 0.60% and life insurance with 23.00% in terms of insurance classes. There is an increase in property insurance by 6.37%, life insurance when the investment risk is borne by the insured party by 0.75% and general liability insurance by 4.49%.

The insurance companies paid gross amount of MKD 2.76 billion for claims in the analysed period. Compared to the same period last year, the gross paid claims decreased by 7.10% (Q3 2019: MKD 2.97 billion). At the same time, compared to 2019, the number of liquidated claims decreased by 7.35%.

The total capital of the insurance companies is MKD 7.04 billion as of 30 September 2020. The solvency margin, as the main indicator for assessing the stability of the insurance sector, is MKD 1.67 billion (in non-life insurance it is MKD 1.27 billion, and in life insurance it is MKD 409 million), which makes the capital of the insurance sector 4.20 times above the required level of the solvency margin.

All companies have met the legally required minimum level of assets to cover technical reserves by the end of September 2020. The investments of assets from the technical reserves amounted to MKD 14.83 billion (non-life insurance: MKD 8.25 billion, life insurance: MKD 6.58 billion) and cover 109.6% of the technical reserves of the companies.

## PENSION INSURANCE

The Macedonian pension system consists of three-pillars, as part of social insurance. The first pillar is the state Pension and Disability Insurance Fund of North Macedonia (PIOSM), which operates on the principle of the pay-as-you-go financing. The second and third pillars are fully funded, on the principle of defined contributions, with a note that the second pillar is mandatory and the third pillar is voluntary. Both pillars are regulated and controlled by the Agency for Supervision of Fully Funded Pension Insurance (MAPAS). With the development of the second and third pillar, the state pension system is strengthened through diversification of the sources for payment of pensions, legal entities are allowed to establish pension companies and it is possible to invest the funds of the pension funds in securities issued and guaranteed by the EU member states and the OECD as well as by legal entities in those countries. Within the third pillar, it was made possible to organise and finance professional pension schemes by employers or citizens' associations for their employees or members.

The second pillar has 526,196 members, of which about 12% or 62,685 are voluntary, and about 88% or 463,511 are mandatory members as of October 2020. The value of the net assets in the second pillar as of October 2020 is about MKD 83 billion or about EUR 1.3 billion i.e. an increase of funds by about 13% in October 2020 compared to October 2019. The investment portfolio of the mandatory pension funds consists of domestic investments that include government securities, corporate bonds, stocks, investment fund shares, deposits, as well as investments abroad that include shares and stocks of investment funds. About 25% of the assets of the mandatory pension funds are invested abroad, while about 75% are invested in domestic financial instruments as of October 2020. The amount of funds in the mandatory pension funds at the end of 2019 reached about 11% of GDP according to the officially published data on GDP for 2019. As a result of the operation of the mandatory pension funds in the period of the last seven years (September 2013 - September 2020) as of September 2020, an average yield in nominal amount of about 5.63% i.e. about 4.99% average yield in real amount reduced on an annual basis was achieved at the Open Mandatory Pension Fund 'Sava Pension Fund' and 'KB' First Open Mandatory Pension Fund - Skopje, whereas at 'Triglav' Open Mandatory Pension Fund - Skopje yield was realised in nominal amount reduced on an annual basis of 0.08% i.e. -1.29% in real amount reduced on annual basis in the period September 2019 - September 2020.

In the second half of 2009, the third pillar (voluntary fully funded pension insurance) started with operation. Both pension companies

– ‘Sava’ pension company JSC Skopje and ‘KB’ First Pension Company JSC Skopje – each manage one voluntary pension fund. In the third pillar, as of October 2020, the number of members in the two voluntary pension funds totals 25,705, of which about 42% are members with a voluntary individual account, and about 58% are participants in pension schemes with professional accounts. The assets of the voluntary pension funds at the end of October 2020 amount to about MKD 2 billion or about EUR 34 million i.e. there is an increase of funds by about 14%, compared to October 2019. The investment portfolio of the voluntary pension funds consists of domestic investments that include government securities, corporate bonds, stocks, investment fund shares, deposits, as well as foreign investments that include shares and stakes in investment funds. As of October 2020, about 26% of the assets of voluntary pension funds are invested abroad, whereas about 74% are invested in domestic financial instruments. The amount of funds in the voluntary pension funds at the end of 2019 reached an amount of about 0.29% of GDP according to the official data on GDP for 2019. An average yield in the nominal amount of 5.65% was realised i.e. 5.01% in real amount reduced to annual level as a result of the operation of the voluntary pension funds of the last 7 years (September 2013 - September 2020) as of October 2020.

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## CAPITAL MARKET

In the period January - October 2020 on the primary securities market, the Commission approved a total of five emissions of securities. One of them was realised through a public offer, and the other four through a private offer intended for known buyers. The value of the approved emissions of shares in this period amounted to MKD 2,046,781,088.00 i.e. about EUR 33 million. In the same period, the Securities and Exchange Commission issued two licenses for giving offer for a takeover of a joint stock company. One refers to the Joint Stock Company for processing, trade and services - Agroplod JSC Resen. The takeover offer referred to 8,364 ordinary voting shares, which represent 31.59% of the charter capital of the company. At the time when the takeover offer was submitted, the entity making the takeover owned 18,116 ordinary shares of the joint stock company. The takeover of the securities was performed at a price of MKD 13,530 per share. The second offer refers to the Construction Institute MAKEDONIJA JSC Skopje to which the Commission issued a license for taking over of Factory Karposh JSC Skopje. The takeover offer refers to 63,892 ordinary voting shares issued by Factory Karposh JSC Skopje, which represent 21.36% of the charter capital of the company. At the moment of submitting

the takeover offer, the Construction Institute MAKEDONIJA JSC Skopje owned 224,739 ordinary shares of Factory Karposh JSC Skopje, while the offer does not refer to 10,481 ordinary shares without voting rights, which are own shares owned by the target company.

The number of joint stock companies with special reporting obligations that are managed in the Register of the Commission in this period was 11. The Register includes the companies established and operating in the Republic of North Macedonia and have made a public offering of securities or have a charter capital of EUR 1,000,000 in denar counter value and more than 50 shareholders, except the companies listed on the stock exchange. Out of the 11 joint stock companies with special reporting obligations registered in the Register of the Commission, two companies are banks, one is brokerage house and eight are joint stock companies from the economy sector.

During this period, the Commission monitored the trading of securities on a daily basis and had a proactive role in the change of the daily price restrictions and in the introduction of the new mechanism for automatic temporary cessation of trading, which is activated for the first time on the Macedonian Stock Exchange JSC Skopje, in order for the stock exchange trading to take place in regular and orderly manner i.e. to control the trading in situations of larger price fluctuations.

There were a total of ten authorised participants on the secondary capital market in this period, who provide services with securities, five (5) of which are brokerage houses and five (5) are authorised banks with special departments for working with securities. Three banks - depository banks have a license from the Commission for custody of assets of the investment funds.

The Commission conducted 13 audits over the operation of the authorised legal entities on the capital market, six of which were regular and seven were extraordinary audits in the period January - October 2020. The Commission has issued the following in the same period: five consents for appointing a director – authorised participant; three consents for amendments to the acts of an authorised participant; four new broker licenses; renewal of six existing broker licenses; as well as renewal of two existing investment advisor licenses and three new investment advisor licenses.

There are five investment fund management companies operating on the capital market in the period January - October 2020, which manage 16 open-end investment funds, as well as one investment advisory company. The net value of the assets of the open-end investment funds at the end of October 2020 amounted to MKD 9,654,060,980.11 or about EUR 157 million, which is an increase of 13.41% compared to the net value of the open-end investment funds on the same date in 2019.

The Register of Private Funds maintained by the Commission

includes a total of 17 private funds in this period.

The total turnover realised on the Macedonian Stock Exchange JSC Skopje (official market, regular market and public offer of securities) amounted to MKD 5,510,885,047.00 or about EUR 90 million in the period January 2020 - October 2020, which is an increase in turnover by 26.72% compared to the same period of 2019. The turnover realised through block trade amounted to MKD 1,874,428,511.00 or about EUR 31 million, which is a small decline in turnover of 0.87% compared to the same period of 2019. The turnover with shares in regular trading (official and regular market) realised on the Macedonian Stock Exchange JSC Skopje is MKD 5,070,319,103.00 or about EUR 83 million, which is an increase of the turnover in the amount of 68.04% compared to the same period in 2019, while the turnover with government bonds issued by the Republic of North Macedonia amounted to MKD 252,364,646.00 or about EUR 5 million, which is a decrease of the turnover in the amount of 21.95% compared to the same period of 2019.

The number of companies listed on the Macedonian Stock Exchange JSC Skopje as of 31 October 2020 was 100, while in the same period of 2019 it was 101 listed companies.

The MBI-10 stock exchange index at the end of October 2020 was 4,428.65 index points. The value of the index points increased by 3.63% compared to the value of the index on the same trading date in 2019 i.e. on 30 October 2019 this index was 4,273.24 points.

## LEASING

Seven leasing companies were licensed on the financial leasing market on 30 June 2020, six of which are actively operating. Domestic capital has a dominant share of 81.75% in the ownership structure of the leasing sector. The foreign capital participates with 18.25%.

The assets of the leasing sector at the end of June 2020 amounted to MKD 5,925 million (0.8% of GDP) and increased by 8.7% compared to the end of June 2019. The two largest companies participate with 87.3% in the total assets of the leasing sector.

The number of the newly concluded leasing agreements decreased compared to the same period of the previous year, mainly due to the effects caused by COVID-19 on the economy. Therefore, the number of newly concluded agreements in the first half of 2020 is 627, which is a decrease of 42.6% compared to the first half of 2019. The value of the concluded agreements in the same period amounted to MKD 1,043 million, which is a decrease of 11.9%. In the structure of the newly concluded agreements, the legal entities have the lead with a share of 76.6% in the total value.



The leasing companies generated a profit of MKD 56.2 million in the first six months of 2020, which was a decrease of 7.4% compared to 30 June 2019.

## FINANCIAL COMPANIES

There are 27 financial companies that are actively operating on the financial market as of end of June 2020, which is an increase of two companies compared to 30 June 2019. The domestic capital has the largest share of 60.7% in the ownership structure of the financial companies. The foreign capital participates with 39.3%.

The total assets of the financial companies at the end of June 2020 amounted to MKD 3,827 million (0.4% of GDP) and increased by 22.2% compared to the end of June 2019 when they were MKD 3,132 million.

The number of newly concluded agreements in the first half of 2020 is 67,589, which is a decrease of 75.7% compared to the first half of 2019. The value of the concluded agreements in the same period amounted to MKD 2,572 million, which is an increase of 19.3% compared to the same period last year. In terms of structure of the newly concluded agreements in 2020, in terms of their value, the largest share belongs to the approved loans with 87.9%, followed by factoring with 11.3% and issued credit cards with 0.8%. In terms of profitability, the financial companies suffered losses of MKD 77.9 million in the first six months of 2020.

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

## Findings and recommendations from the EC 2020 Report

North Macedonia has made **some progress** and is **moderately prepared** to cope with competitive pressures and market forces within the EU. Integration with the EU in trade and investment deepened further. Exports and manufacturing output diversified further towards higher-value products. However, skills shortages, reflecting shortcomings in the education system and the outflow of skilled workers, as well as infrastructure investment gaps impair labour productivity and the competitiveness of the economy. While measures to mitigate the immediate adverse impact of the COVID-19 crisis on growth and employment are currently prevalent, addressing these structural needs in a timely manner would support a swift post crisis economic recovery.

In order to improve competitiveness and long-term growth, North Macedonia should in particular:

- ▶ reform the education system with a view to improving skills in line with labour market needs;
- ▶ improve the quality of road infrastructure through improved reconstruction and maintenance, with a view to enhancing domestic and cross-border transport links and integrating domestic companies in global value chains;
- ▶ step up work to diversify energy sources towards renewable energy and increase energy efficiency, notably through the establishment of the Energy Efficiency Fund and the implementation of Energy Efficiency Law.

# Sufficient amount of human and physical capital

## SUFFICIENT AMOUNT OF HUMAN CAPITAL

### Elementary and secondary education

Before the outbreak of the global COVID-19 pandemic, the education system showed improvement i.e. there is an improvement in the reading results by 40 PISA points from 2015. COVID-19 has forced the country to close schools and move to remote learning using online platforms and TV broadcasts. The Ministry of Education and Science, in preparation for the new challenges, adopted a Concept for Development of the Remote Education System in Elementary and Secondary Schools. The Parliament adopted the amendments to the laws on primary and secondary education, which enabled good organisation of education in times of crisis. A National Remote Learning Platform has been developed that enables two-way communication between students and teachers, available at <https://schools.mk/>. Before the beginning of the school year, students and parents were invited to use it in order to identify the weaknesses. Video material, tutorials and manuals are published on the platform, including other content. Trainings were organised for all teachers using a cascade model during September 2020. An educational TV show with teaching materials is broadcasted on the national television in order to cover all children.

The following activities have been implemented: the Centre for Vocational Education and Training (CVET) has developed a Concept for work based learning and has been adopted by the Minister of Education and Science in order to improve the quality of the vocational education and training (VET). Work based learning is a mandatory component in the four-year education in all professions/sectors i.e. in 52 educational profiles/qualifications. Curricula for work based learning for the third and fourth year have been developed for all educational profiles/qualifications. Furthermore, standards for qualifications and curricula as well as qualification programmes have been developed at the request of the labour

market for dual education, where work based learning is introduced from the second year of education.

A programme for "Safety and health at work" has been developed, which is mandatory for all students before they start the work based learning with an employer. A document on areas and forms of cooperation between schools and companies has been prepared, intended for the schools and the business community. A Standard for training of professional and other staff and a Programme for training of mentors has been developed. Twenty teachers have been trained to coordinate the cooperation with the businesses as well 600 mentors from 400 companies.

The establishment of regional centres for vocational education and training in the Southwest, Polog and Northeast regions is expected to strengthen the cooperation between the VET and the business community and thus enable the young people to enter the labour market directly. For that purpose, amendments were made to the Law on Vocational Education and Training (Official Gazette No. 275/19). Decisions have been adopted for transformation of three vocational schools into regional centres for vocational education and training starting from 1 January 2021.

Additionally, eight qualifications have been developed that will be covered in the regional VET centres: mechanical technician for motor vehicles, electrical technician for computer technology and automation in Tetovo; catering technician, waiter and cook in Ohrid; food technician, phyto-medicine technician and agro-technician in Kumanovo. In accordance with the Law on Vocational Education and Training, the Centre for Vocational Education and Training has developed standards for facilities and equipment for the schools. At the initiative of the Ministry of Education and Science, a procedure was initiated to develop the Concept for development of regional centres for vocational education and training that includes formal, non-formal, adult education and validation of the non-formal and informal learning (VNIL). The concept is in the final stage.

The Ministry of Education and Science, in cooperation with the CVET, continued with a campaign to promote secondary vocational education in order to increase the number of students in vocational education and training. In 2020 a Guide to the vocational education qualifications was promoted in 2020 that enables the students to make an informed choice. The document is prepared in the languages in which the teaching for the students in the final years of elementary education is delivered: Macedonian, Turkish, Serbian and Albanian.

Student scholarships have been introduced since 2020 for selected deficient professions: mechanical, agricultural-veterinary, textile-



leather, electro-technical and construction-geodetic professions. There is also a plan, from January to March next year, the Ministry, together with the Chamber of Commerce and all local participants, to improve the social and economic dialogue for the needs of the real sector, which will lead to decisions on which profiles should be verified in which municipality or secondary school.

## Research, development, innovations

The Fund for Innovation and Technological Development (FITD) continued to implement measures in 2020 to facilitate access to finance for SMEs in order to encourage innovation and technological advancement of the domestic companies. Some of the planned and ongoing activities of the Fund were put on a temporary hold as a consequence of the COVID-19 crisis and some were adapted to the new situation as necessary in order to provide adequate support to the companies.

The Fund was implementing its tasks in the course of 2020 in the following manner:

- Awarding of financial support for the instrument "Co-financed grants for technological development". A total of 121 project proposals were submitted under this call, of which 67 project proposals were approved for funding.
- Awarding of financial support for the instrument "Co-financed grants for start-ups and spin-offs". A total of 235 project proposals were submitted under this call, of which 87 project proposals were approved for funding.
- Awarding of financial support through the public call for financing research projects in elementary and secondary schools "Challenge for young researchers 3". A total of 58 project proposals were submitted under this call, of which 39 project proposals were approved for funding.
- Provision of financial support through public call for O2 Challenge 2 "Tackling climate change". A total of 30 project proposals were submitted under this call, of which 2 project proposals were approved for funding.
- Awarding of funds through the CREATON challenge with an application deadline of 22 March 2020. A total of 514 project proposals were submitted under this call, of which 18 project proposals were approved for funding.
- Provision of financial support for the instrument on co-financed grants for technological development intended

to remedy the consequences of COVID-19. A total of 171 project proposals were submitted under this call, of which 95 project proposals were approved for funding.

- Awarding of funds through Innovation vouchers realised through a public call. A total of 71 applications were submitted under this call, of which 34 were approved for granting of Innovation vouchers.
- Awarding of funds through a public call for rapid response towards COVID-19 on "Digitalisation of local government services". A total of 13 project proposals were submitted under this call, of which one project proposal was approved for funding.
- Some of the projects funded include contractual services from academic staff and/or cooperation with higher educational institutions, and one of the accelerators funded is partly owned by the University of Ss. Cyril and Methodius – Skopje and aims at commercialisation of the start-up ideas of students and academic staff.

The total value portfolio of all projects under the Fund's instruments (excluding projects financed through challenges and Innovation vouchers) as of November 2020 is EUR 76.2 million, with the amount of financial support from the Fund being EUR 42.7 million and the own co-financing of the companies is EUR 33.5 million.

FITD continued its activities in 2020 to encourage creativity, innovation, critical thinking, entrepreneurship and 21st century skills among young people under the Young Minds Fund programme. Several programmes that have already shown successful results were supported, including the Young Researcher Challenge 3, the UP Shift Programme for Social Entrepreneurship for youth, and the Programme for Entrepreneurship Instigation of the Junior Achievement activity. Some of these programmes were put on temporary suspension due to the termination of the educational process as a consequence of COVID-19, but they continued to be implemented after their adaptation to the new conditions in accordance with the relevant protocols.



## SUFFICIENT AMOUNT OF PHYSICAL CAPITAL

### Capital expenditures in the following medium-term period

Capital investments in 2021 are planned at the level of about MKD 23 billion and they are intended to intensify the implementation of infrastructure projects i.e. investments in road and railway infrastructure, energy and communal infrastructure, as well as capital investments intended to improve the situation in sectors of health, education and social systems, agriculture, culture, sports, environmental protection and judiciary.

The following activities are planned for 2021:

**A. Capital expenditures for road and railway infrastructure** intended for modernisation of the existing railway infrastructure.

The reconstruction of the Corridor X railway financed by a loan from the European Bank for Reconstruction and Development (EBRD) is planned to be completed in 2021. These activities will improve the flow of passengers and goods on this section, will reduce the costs of maintaining the railway track and will provide safer and more efficient traffic. Funds are allocated during 2021 for continuation of the realisation of the first and second phase of the project for construction and rehabilitation of the eastern part of the railway track – Corridor VIII - section Kumanovo – Beljakovce – Kriva Palanka, funded by the EBRD. In addition to a loan from the EBRD and a grant from the Western Balkans Investment Framework Facility, the project envisages activities to improve the technical characteristics of the railway track, construction and rehabilitation of bridges, railway stations, stands, underpasses and overpasses.

A World Bank loan will be used during 2021 for activities for realisation of the Local Roads Project, which will improve the road infrastructure of the municipalities.

At the same time, the activities for realisation of the Project for facilitation of the trade and transport in the Western Balkans will continue in 2021, which is part of the new regional initiative of the World Bank, which provided for its financing. The construction of the railway border crossing with accompanying facilities "Tabanovce" between the Republic of North Macedonia and the Republic of Serbia will begin in 2021, which will be financed with

a grant from the Western Balkans Investment Facility and with an EBRD loan. The plan is also to start the "Introduction of high-speed bus system in the City of Skopje" project, which will include introduction of two lanes for rapid bus transport in the City of Skopje. With the introduction of the rapid bus system in the City of Skopje, the ecological situation in the City will improve, and the quality of public transport will also be increased. IPA funds will be used to implement projects for construction of the Gradsko – Drenovo road section, as part of the Corridor X road as well as rehabilitation, reconstruction and upgrading of the existing road infrastructure.

**B. In the area of energy and communal infrastructure and waste management,** intensified dynamics of the construction of water supply and sewerage systems in the municipalities will continue, and these activities are financed with own sources and with funds from credit lines from the European Investment Bank (EIB) and KfW Bank. The Municipal Services Improvement Project, funded by the World Bank, will enable municipalities and public utilities to finance investment projects in accordance with their priorities in the areas of water supply and wastewater, solid waste management and other investments in municipal services which have the potential to generate revenue i.e. achieve savings, or which are of high priority for the municipalities. The Energy Efficiency Project in the public sector will start to be implemented with a loan from the World Bank in 2021, which will finance energy efficient projects in the municipalities, as well as public health institutions of the central government. Loans from EIB and EBRD as well as a grant from EIB will be used for the financing of one of the largest capital projects in the country. This activity will start in 2021 and refers to the wastewater treatment plant in Skopje. IPA funds will be used to support rehabilitation and upgrade of the collector system in Skopje, rehabilitation and upgrade of the sewerage network and construction of treatment plants in Kichevo, Bitola and Tetovo, as well as the establishment of a regional waste management system and closure of landfills in the East and Northeast region.

## Energy efficiency

Technical assistance was provided by GIZ during the third quarter of 2019 for preparation of a new three-year energy efficiency plan for the period 2019-2021. A draft has been prepared and the public consultation is expected to start next week in order for the draft plan to be submitted to the Government for adoption by June 2021 at the latest.

The Energy Efficiency Directive is partially transposed into the Law on Energy Efficiency (Official Gazette No. 25/2020). The Law is harmonised with the Secretariat of the Energy Community.

## 2.1.

The Energy Efficiency Directive will be fully transposed with the adoption of bylaws arising from the Law on Energy Efficiency.

In order to enable the achievement of the objectives of, and support the, energy efficiency policies prescribed in accordance with this Law, establishment of Energy Efficiency Fund as an independent and autonomous legal entity is envisaged.

*For more details on the Law on Energy Efficiency see Chapter 3.15 Energy.*

### **C. Arrangement of technological industrial development zones**

through construction of the necessary infrastructure and facilities and geomechanical exploration works.

**D. In the health sector,** Investments are planned for construction and reconstruction of public health institutions, procurement of medical equipment and reconstruction of the General Hospital in Kichevo. The realisation of the Project for Regional Clinical Hospital in Shtip will continue in 2021, financed with a loan from CEB.

**E. In education, child protection and sports,** capital investments are designed intended for construction and reconstruction of elementary and secondary schools, kindergartens, construction of school and sports halls, reconstruction of pupil and student dormitories, equipping and reconstruction of universities and investments in sports infrastructure. In the area of education, a loan from KfW Bank will be used for initiation of a Project for reconstruction of student dormitories. The realisation of the Project for construction of gym halls in secondary schools and the Project for construction of gym halls in elementary schools and rehabilitation of elementary and secondary schools will continue – all financed by a loan from the Council of Europe Development Bank (CEB) and with national co-financing in order to improve the physical education and improve the overall conditions for studying for pupils and students in elementary and secondary schools. In order to improve the conditions for learning in elementary education in the country, a project for promotion of elementary education will be launched with a loan from the World Bank. The implementation of the Social Services Improvement Project will continue in 2021, financed with a World Bank loan in order to improve the access to social rights and services, as well as to expand the capacity for preschool care and education through construction of new facilities and conversion/upgrade of the existing infrastructure of preschool institutions,

**F. The Social Security Administration Project will continue to be implemented** with a World Bank loan.

**G. The Skills and Innovation Development Project will be completed in 2021,** financed with a World Bank loan, which, among

other things, supported the operation of the Fund for Innovation and Technological Development

**H. In order to support the area of agriculture,** significant capital investments are envisaged for rural development, construction of hydro systems and investments for improving the competitiveness and modernisation of agricultural holdings. A World Bank loan will be used to launch a project for reforms in the area of agriculture, which envisages construction of purchase and distribution centres throughout the country. Within this framework, the realisation of the second and third phase of the "Improvement of water use from the Zletovica River Basin" project is expected to begin in 2021 with the support of the EIB, which will provide irrigation for 4,570 hectares of net land area located in the municipalities of Probishtip and Kratovo and construction of small hydropower plants along the Zletovica river. In addition, also, irrigation systems are planned to be built in 2021 in the Valandovo region, funded with KfW loan and grant by implementing the second phase of the Project for irrigation of the south valley of Vardar river.

**I. In the area of judiciary,** the implementation of the Project for reconstruction of the penitentiary-correctional facilities continued in 2021, financed with a loan from the Development Bank of the Council of Europe.

**J. In order to improve the situation of the socially vulnerable groups,** the implementation of the Housing Project for socially vulnerable groups will continue in the coming period, financed by a loan from the Development Bank of the Council of Europe.

**K. In terms of public finance reforms** we have improvement in the fiscal framework, strengthening of the process of planning and execution of the Budget of the Republic of North Macedonia, improvement of the revenue collection, strengthening of the public procurement system, internal and external control and transparent reporting. The preparations for introduction of Integrated Information System for Financial Management and Integrated Tax Information System will start in 2021, which will be financed by a World Bank loan and donor funds. The overall process of public finance reform will mean introduction of the concept of SMART Finance (Strategic, Sustainable, Responsible, Reform and Transparent) i.e. public finances that will support accelerated economic growth in medium and long term, within fiscal sustainability and macroeconomic and financial stability (Smart Finance for SmartER Growth)..

The medium-term framework of the Budget for 2021 also contains the **Public Investment Plan 2021-2025** which will be monitored and coordinated by the National Investment Council headed by the

Prime Minister. Capital projects are planned in the period 2021-2025 in the total amount of EUR 3.1 billion.

## Foreign direct investment

FDIs in 2020 are mainly located in the following activities: agriculture, mining, financial and insurance activities, wholesale trade, computer and electronic products, motor vehicles, construction, transport and storage. In terms of countries of origin, the largest inflows of foreign direct investments in the analysed period came from Germany, Switzerland, Turkey, Great Britain, USA and Bulgaria.

# Influence of the state on the competitiveness

## STRENGTHENING THE COMPETITIVENESS AND SUPPORT FOR SMALL AND MEDIUM-SIZED ENTERPRISES

### Supporting SMEs in dealing with the COVID-19 pandemic consequences

Due to the new pandemic situation caused by the COVID-19 virus since 2020, the economy is facing serious social and economic challenges in maintaining production, employment and markets. The companies are facing serious market turbulences and unpredictable future.

The Government has introduced a comprehensive package of economic measures to deal with the crisis impact in order to preserve as many jobs as possible for citizens and to help the economy of the country. There are also measures to support companies in investing and adjusting to the new situation.

The Government has been continuously adopting packages of anti-

crisis measures in order to deal with the economic consequences since the beginning of the COVID-19 pandemic, intended to support the most affected sectors and the most affected groups of citizens. The first package of anti-crisis measures is implemented with 90.1%, the second package of measures is implemented 100%, the third package 75.4% and the fourth package 72.7%. Some of the measures from the third and fourth package are being implemented during this year, so that the total implementation of the measures in relation to the plan can be increased, and can even reach up to 99% of implementation. In terms of GDP components, if measures, such as wage subsidies, wage contributions, payment cards, etc., were not taken, the decline in private consumption would be almost double, that is 11.8%, instead of 5,6% as it is now according to the data published by the State Statistical Office. About 70 different measures have been adopted, of which the implementation of 21 measures worth EUR 30 million is underway within the four packages that have been analysed so far, while 7 measures worth 150 million will be implemented as part of the fifth package that was adopted by the Parliament on 18 April 2021. In the meantime, the Government has prepared a sixth package of measures intended for 12 sectors, mainly in the catering and tourism industry, which will cover 10,000 companies with 60,000 employees. The entire package weighs EUR 17.8 million.

**THE FIRST AND SECOND PACKAGE OF MEASURES** were introduced immediately after the crisis hit the Macedonian economy (March-April 2020) and consist of measures intended to reduce the costs of doing business, delaying of financial obligations of the companies (such as relief from monthly advance payments for profit tax for April, May and June 2020; reduction of the penalty interest for public duties (taxes and public duties by law entrusted to the PRO) from 0.03% to 0.015% or by 50%; reduction of the reference interest rate from 2% to 1.75%, by reducing the default interest rate from 10% to 5% for legal entities and from 8% to 4% for individuals, but also introduction of new sources of financing (such as interest-free loan through the Macedonian Development Bank and MKD 14,500 per employee per month for April and May, intended for companies affected by the crisis, which is 50% of the contribution costs for each employee; cash allowance for citizens who lost their jobs due to the crisis; cheap loans from the Macedonian Development Bank placed through commercial banks in order to protect the liquidity of the companies. The total financial allocations for these measures were projected at EUR 195 million and all were implemented.

**THE THIRD PACKAGE OF MEASURES** was adopted after the first interventions. This package includes financial support measures in order to increase the liquidity of the private sector, by targeting critical economic sectors (such as tourism and hospitality, transport



and logistics, agricultural production, etc.), but also the general economy and other sectors. This package also includes measures for direct financial support for very low income citizens, as well as support for the health professionals. The total financial allocation planned for this package is EUR 355 million, of which about EUR 179 million are direct budget expenditures with fiscal implications, and EUR 41.3 million have been implemented by October 2020. Most of the measures (around EUR 165 million) that are still being implemented refer to the activities of the Macedonian Development Bank that started late due to the election process and in which funds from the European Union are channelled. There is also the Award for Excellence for 2020 through the EU4Resilience project, in the amount of EUR 30 million. An additional EUR 10 million were directed to support self-employment measures and active employment measures within this package of measures and through the same project.

**THE FOURTH PACKAGE OF MEASURES** was adopted in September 2020 in the amount of EUR 470 million and includes 31 measures, with about EUR 165 million in direct budget expenditures with fiscal implications. The purpose of this package is to prevent the decline of GDP through increased economic activity and public spending, creating opportunities for 4.8% GDP growth in 2021. The package envisages measures such as direct support to companies and citizens for economic and social stability, strengthening private consumption, as well as support for vulnerable citizens, unemployed people, citizens with very low income, etc. The implementation of some of the measures has started, for example the Ministry of Economy announced public calls in November 2020 for implementation of 6 measures: refund of tourist tax (legal entities), refund of tourist tax (individuals), grants for travel agencies, wedding restaurant grants, grants for playhouses and grants for tour guides. At the same time, amendments to appropriate laws have been initiated in order to introduce legal solutions for implementation of other measures from the fourth package, and their implementation will follow during 2021.

## SMART SPECIALISATION STRATEGY (S3)

The Republic of North Macedonia started the process of developing the Smart Specialisation Strategy (S3) in 2018, as a comprehensive model for sustainable economic growth based on the endogenous capacities of industry, science and society. S3 should link with, and add value to, the Industrial Policy, Competitiveness Strategy,

Innovation Strategy and Research and Development Strategy.

The strategy development process is very important as a new form of participation and cooperation for development of the vision for growth, defining priority domains for support, designing a roadmap for transformation for selected sectors, implementation of the Action Plan and designed projects that will contribute to growth in selected domains, cross-sectoral cooperation, creation of new value chains, new business perspectives based on knowledge and innovation and economic growth in general.

The working group led by the Ministry of Education and Science and the Ministry of Economy, including representatives from key Ministries, Government institutions, chambers of commerce and representatives of universities, in coordination with the JRC, conducted quantitative analyses in the reporting period. A total of 19 sectors with development potential have been identified, based on a comparison of economic, innovation and research capacities. The process of qualitative analysis is currently underway. The six proposed potential priority areas which are subject to qualitative analysis are the following:

1. Sustainable production of food and beverages and value chains
2. Sector for Information and Communication Technologies (ICT)
3. Smart/ sustainable buildings and materials (civil engineering, sustainable materials, transition to circular economy)
4. Electrical equipment and mechanical parts (electrical equipment, machines and parts of engines, machines and machine tools, mechanical devices, accessories for motor vehicles....)
5. Sustainable tourism and catering (accommodation and restaurants and food services, cultural tourism, adventure tourism, event catering and other food services).
6. Energy for the future (decarbonisation of the economy - renewable energy, energy efficiency, sustainable energy)

The next phase will be the process of entrepreneurial discovery starting in 2021, where smart specialisation domains will be identified through quadruple helix and intensive communication with all stakeholders, using all the potentials based on development cooperation.

An **Export Strategy** is planned to be developed as a strategic framework to support the export readiness, diversification of production and export promotion in order to support and encourage the internationalisation of companies. In addition, the

planned sector analysis should make the necessary basis to support the creation of value chains and integration in the global value chain. The process of strategy development will follow in 2021.

## HORIZONTAL MEASURES TO IMPROVE COMPETITIVENESS

**The Economic Growth Plan** adopted in 2017 contains 3 pillars of measures implemented through the Law on Financial Support of Investments (first and second pillar) and the Fund for Innovation and Technology Development (third pillar). 171 new contracts and 51 annexes to the contracts were signed in 2019 for the measures from the first and second pillar. According to the submitted business plans, these companies are expected to invest up to EUR 230 million in the next five years. The number of employees according to the business plans is 4,577.

54 requests for new financial support agreements and 11 requests for annexes have been submitted by September 2020 in relation to the measures of the first and second pillar, in accordance with the Law on Financial Support of Investments. Most of the requests are for financial support of capital investments. The procedures for concluding the agreements are ongoing and, according to the business plans, the total amount of investments is expected to be around EUR 53.4 million. The Budget for 2021 intended for support of the investment activities of companies provides financial resources of about EUR 10.5 million. In addition, the budget also includes funds to support companies' investments in technological industrial development zones, as well as other investors in the country, with funds in the amount of about EUR 8 million. About EUR 11.4 million are foreseen in the Budget of the Fund for Innovation and Technological Development regarding measures for support of companies for 2021 (more information on these measures is provided in the section on SME support).

The Economic Growth Plan is integrated in the new **Industrial Strategy** as a key pillar for ensuring competitiveness, based on investments for industrial development, bridging the technological gap and accelerating the transformation of productivity and internationalisation.

The implementation of the **Action Plan of the Industrial Strategy** will continue in the coming period through the Law on Financial Support of Investments, the Programme of the Fund for Innovation and Technological Development, the Programme of the Ministry of

Economy and other related projects. The chambers that take the initiative to support Digitalisation, exports, accelerators, clusters and the like also play a key role. The 38 measures envisaged in the Action Plan of the Industrial Strategy are divided into 5 strategic objectives aimed at: strengthening the production base (8 measures), raising productivity, innovation and technology transfer (5), catalysing the green industry and green production (8), stimulating exports from production (9) and building a learning-based production sector (8). Additionally, there are 6 measures for successful implementation and coordination.

Analysing the 38 measures for the Action Plan of the Industrial Strategy shows that 27 of them (71%) are in implementation phase, 4 measures (10.5%) are in initial phase of implementation or have not been started yet due to the need for deeper analysis, concept development or lack of finance. Seven measures (18.5%) are expected to be implemented after 2020 when a concept will be developed and finances will be provided, mostly from donors and IPA funds.

## LOCAL AND REGIONAL COMPETITIVENESS IN TOURISM

The realisation of the grants awarded within the Project for local and regional competitiveness in tourism is currently in progress, which enabled the municipalities, tourist associations as well as small and medium enterprises access to EUR 14 million of grants intended to encourage the development of tourism by improving the tourist offer and the quality of tourist services. The total amount of this activity is EUR 21 million, of which EUR 18 million are a contribution from the IPA funds of the European Commission, whereas the national participation is around EUR 3 million. The development objective of the PLRC project is to improve the contribution of tourism to the local economic development and to improve the capacity of the Government and public entities to promote tourism growth and facilitate destination management.

The activities for realisation of all components in the Project are currently in progress:

- The selected three pilot destinations are working on the establishment of core stakeholder groups (CSGs) based on the principles of public-private partnership. Each of the three CSGs will continue to develop a wider process of destination management. In the forthcoming period, a decision should be made to formalize the structures

and institutionalise the DMO. In the next period, the engaged legal assessment expert is expected to make recommendations for development and improvement of the national legislative and regulatory framework for incorporation of DMO.

- The implementation of the grant scheme continues, where all ongoing projects that have been supported are in a well-advanced stage. Most of the implementation of large infrastructural sub-projects is taking place in this period and initial results have been achieved, whereas several sub-projects that are being implemented are at a very advanced stage or almost completed. In terms of small sub-grants for investments, where sub-projects of associations are included, 60% of the total number of sub-projects is fully completed, and the rest are in advanced stage of implementation. In terms of micro and small enterprises, the implementation is fully completed for 50% of them and the implementation of the rest is at an advanced stage. The implementation for several of them is ongoing and initial results have been achieved.
- Activities within the central level capacity, coordination and policy component have been delayed due to the effects of the COVID-19 pandemic. The status of the planned activities is as follows:
  - Specific training for ME and Agency for Support of Entrepreneurship of MK - initial steps are taken which means that the process of procurement of a training consultant is completed and the consulting company is selected;
  - Strengthening the statistical system in the tourism sector - initial steps have been taken, including development and approval of a ToR for consultancy services;
  - National Strategy and Plan for Tourism for the period 2021-2026 - initial steps have been taken, including development and approval of a ToR for consultation.
- Capacity building activities that are implemented and/or will be implemented within the beneficiaries of the sub-projects will provide benefits to the participants in the tourism sector so they can build their facilities and improve the tourism services. In three of the 10 destinations, the destination management process has been developed to an advanced level. All activities

under the sub-projects are mainly aimed at improving tourism services and contributing to achieving higher quality.

## COMPETITION

### PROTECTION POLICY

The CPC submitted an updated State Aid Register for 2020 in accordance with the conclusion of the Government and the recommendation of the European Commission from the fifteenth meeting of the Subcommittee on Internal Market and Competition held on 13 February 2020 in Brussels

TAIEX trainings and national trainings for the state aid providers will be realised in order to strengthen the administrative capacity of the CPC for implementation of the Law on State Aid Control.

The CPC will conduct a comprehensive analysis in order to amend the Law on State Aid Control in order to address the recommendations of the European Commission for further harmonisation with the European legislation on state aid and in accordance with the recommendations of the experts from the explanatory meeting held in November 2019.

At the same time, the Law on Financial Support of Investments will be amended in order to take into account the recommendations of the European Commission for further harmonisation with the EC Regional Assistance Guidelines. By the end of 2021, a State Aid Register will be established.

*For more details see Chapter 3.8 Competition policy*



# Trade integration with the EU

The negotiations for accession to the WTO Public Procurement Agreement and implementation of the Trade Facilitation Agreement continued during 2020. MAP REA adopted a Decision for facilitation of trade in fruits and vegetables regarding the implementation of component 1 – Trade. By doing this, the CEFTA Parties began to develop the Mutual Recognition Agreement (MRA) and the implementation of the Mutual Recognition programmes - border documents, where applicable (as outlined in AP5) and the Authorised Economic Operators Programme. The Customs Administration of the Republic of North Macedonia was the first CEFTA country to submit an application for mutual recognition within CEFTA following the entry into force of the CEFTA Decision on Mutual Recognition of AEOs within CEFTA in May 2020. The process is ongoing and it is expected that the Macedonian national AEO programme will be mutually recognised within CEFTA very soon and the AEO companies will be mutually recognised within CEFTA.

The SEED system has started with implementation. Negotiations on Additional Protocol to the CEFTA Dispute Resolution have also started. The Additional Protocol 6 on Trade in Services was ratified in the Republic of North Macedonia on 5 December 2020 and published in the Official Gazette No.299/20.

A Roadmap for Dialogue on Regulatory Issues in Electronic Commerce within CEFTA was proposed. The maintenance of the statistical data platform for trade in services, FATS and FDIs is ongoing.

The measure for trade facilitation continues i.e. for implementation of Supplementary Protocol 5 to the CEFTA 2006 Agreement pursuant to the Economic Reform Programme 2020-2022, which aims to simplify inspections related to all customs procedures and maximise the reduction of formalities through electronic information exchange between customs authorities.

The Partnership, Trade and Cooperation Agreement between the United Kingdom of Great Britain and Northern Ireland and the Republic of North Macedonia were initiated in November 2020. The Government adopted a Decision on early implementation of the Agreement in December 2020.

The activities for harmonisation of the text of the amendments to the relevant protocols of the Free Trade Agreement with the EFTA

countries, regarding the rules of origin following the rules of the Pan-Euro-Med (PEM) Convention, continued. The Republic of North Macedonia and the EFTA countries reached a joint agreement on the prepared Decision on changes and amendments of the Protocol B and in April 2021 the Ministry of Economy started the internal procedure for adoption of the agreed text of the Decision. Negotiations for further liberalisation of trade in agri-food products under the Free Trade Agreement with Ukraine and an amendment of Protocol C on the origin of goods from the Agreement, in accordance with the PEM Convention, were finalised in March 2021 and revised protocols were prepared to be signed at the Third Session of the Joint Committee in charge of implementing the Free Trade Agreement between the Republic of North Macedonia and Ukraine.

A Decision on establishing the List of goods and technologies for dual use was adopted (Official Gazette No. 66/2021, harmonised with the delegated regulation of the Commission (EU) 2020/1749 of 7 October 2020 i.e. Annex I thereof, amending Regulation (EC) No 428/2009 of the Council establishing a Community system for control of exports, transfers, intermediation and transit of dual-use goods and technologies.



# PUBLIC PROCUREMENT

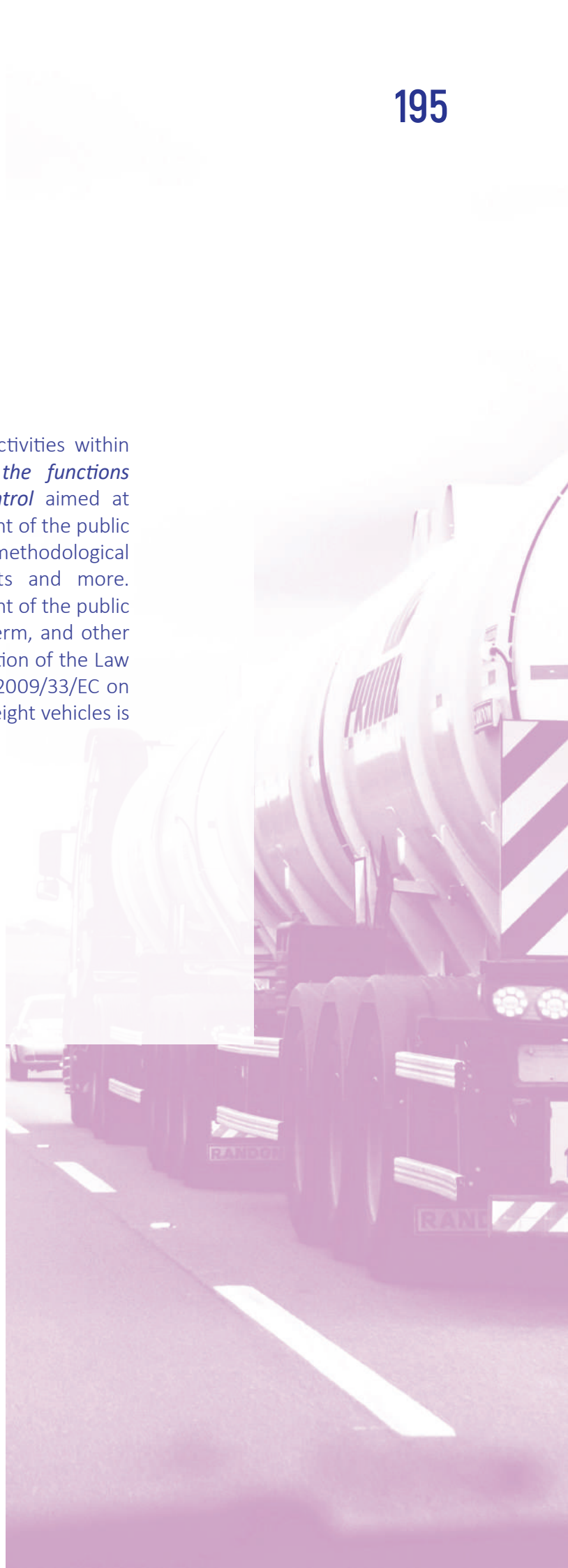
## Findings and recommendations from the EC 2020 Report

North Macedonia is **moderately prepared** in the area of public procurement. **Some progress** was made with the adoption of the law on public procurement in the area of defence and security and of relevant implementing legislation to the Law on Public Procurement. The capacity of the main bodies that implement public procurement needs to be strengthened and its e-procurement platform completed. The country needs to increase efforts that prevent irregularities and corruption during the procurement cycle and that ensure a more effective public procurement system, following the principles of transparency, equal treatment free competition and non-discrimination. The Commission's recommendations from 2019 were not fully implemented and remain valid. In the coming year, the North Macedonia should in particular:

- ▶ ensure implementation of the public procurement law, including the upgrade of the e-procurement portal with new modules, and further align with the EU Directives on concessions;
- ▶ ensure that reports of public procurement irregularities are properly investigated and offenders penalised;
- ▶ strengthen with adequate staff the administrative capacity of the Public Procurement Bureau, the State Appeals Commission and the Supreme Audit Office for the oversight and monitoring of public procurement, and of the Ministry of Economy for the management of concessions and public-private partnerships.

# Summary

The Public Procurement Bureau will implement activities within the Twinning Project IPA 2018 *Strengthening the functions for budget planning, execution and internal control* aimed at preparing a comprehensive Strategy for development of the public procurement system, as well as preparation of new methodological tools, guides and manuals, standard documents and more. Implementation of the new Strategy for development of the public procurement system is expected in the medium term, and other activities will be undertaken for better implementation of the Law on Public Procurement. Transposition of Directive 2009/33/EC on the promotion of clean and energy efficient road freight vehicles is also planned in the medium term.



# GENERAL PRINCIPLES

## Current situation

All relevant bylaws arising from the Law on Public Procurement and all bylaws arising from the Law on Public Procurement in the area of Defence and Security have been adopted in 2020 considering that in 2019 a new Law on Public Procurement (Official Gazette No. 24/19) and Law on Public Procurement in the area of Defence and Security (Official Gazette No. 180/19) were adopted.

Additionally, the Public Procurement Bureau (PPB) has prepared and published on its website updated and supplemented brochures and guides, as well as answers to frequently asked questions (FAQs), regarding the implementation of the new Law on Public Procurement.

A Report on the evaluation of the public procurement legislation in North Macedonia was prepared and submitted regarding the activities planned within the Twinning Project IPA 2018 *Strengthening of the functions for budget planning, execution and internal control*, with recommendations regarding the legislation and capacity building in the area of public procurement. Activities have also been initiated in the direction of preparation of a comprehensive Strategy for development of the public procurement system, including preparation of an Analysis of the mandate and responsibilities of the institutions included in the public procurement system, an Analysis of the education system of the Public Procurement Bureau as well as an Analysis of the situation, needs and possibilities for using centralised procurement. Some of the activities planned with the Twinning Project have been extended due to the COVID-19 situation and they are expected to finalise at the beginning of 2021.

Announcements were published in 2020 for all jobs foreseen by the Annual Plan for 2020, and a total of 13 recruitments were realised, bringing the number of full-time employees in the Public Procurement Bureau to 36 (as of 15 November 2020).

The internal public procurement procedure was prepared and published on the website of the Public Procurement Bureau according to the Anti-Corruption Plan "Action 21". It can be accessed here: <https://www.bjn.gov.mk/publikacii/avni-nabavki-na-biro-za-avni-nabavki/>.

## Short-term priorities

### Legal framework

The Public Procurement Bureau, within the Twinning project IPA 2018 *Strengthening the budget planning, execution and internal control functions*, will implement several activities in order to prepare a comprehensive Strategy for development of the public procurement system. Furthermore, new methodological tools, guides and manuals, standard documents and more will be prepared during 2021-2022 for the purpose of better implementation of the Law on Public Procurement. The activities envisaged by the Action Plan for implementation of the Programme for Reform of the Public Finance Management for 2021 will be realised during 2021.

### Institutional framework

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The PPB will continue with the mandatory certification of officials from the contracting authorities in accordance with the provisions of the Law on Public Procurement. Steps will be taken towards professionalisation of the public procurement not only for those who work directly on public procurement, but also for modernisation of the educational process that is organised by the PPB through innovative, interactive solutions or e-learning tools, including academic cooperation.

At the same time, the PPB will continue to aim to strengthen its capacity through professional development of the employees and, if necessary, employment of new staff. The PPB will be additionally staffed with appropriate professional employees of the organisational unit working on administrative control.

In order to improve the established public procurement system, the PPB will strengthen the cooperation with institutions such as the State Commission for Public Procurement Appeals, the State Audit Office, the State Commission for Prevention of Corruption, the Commission for Protection of Competition, the Ministry of Justice and other institutions that influence that system with their activities. At the same time, the established cooperation and exchange of experiences with the relevant institutions in the countries of the south-western Balkans will continue.

The administrative control of the PPB will be comprehensive and will obligatorily cover the conditions for participation, technical specifications and selection criteria, and the deadline for



conducting the administrative control will be shortened i.e. the Law will provide a deadline within which the PPB will start the administrative control, calculated from the day of the decision for selection.

## Medium-term priorities

### Legal framework

The activities envisaged by the Twinning project MK 18 IPA FI 01 19 *Strengthening the budget planning, execution and internal control functions* will be fully realised in this period. The implementation of a new Strategy for development of the public procurement system is expected to commence, and activities will be undertaken for better implementation of the Law on Public Procurement. Transposition of Directive 2009/33/EC on the promotion of clean and energy efficient road freight vehicles is also planned in the medium term.

### Institutional framework

The PPB employees will be trained, and at the same time the institutional capacity will also be improved in the medium term. The novelties in the public procurement legislation of the European Union will be monitored and all activities that will arise from the Strategy for development of the public procurement system will be realised during this period.

# CONCESSIONS AND PUBLIC PRIVATE PARTNERSHIP

## Current situation

Technical assistance was provided by the World Bank in the area of concessions and public-private partnership in 2019 in order to harmonise the legislation with the relevant EU legislation in this area, i.e. transposition of Directive 2014/23/EU on awarding of concession agreements,. World Bank experts, in cooperation with the Ministry of Economy, analysed the legislation and the situation in this area. A report on the legal analysis, along with recommendations for legislative regulation of this area was prepared by the World Bank experts and submitted to the Ministry of Economy at the end of July 2020, on the basis of which the Ministry of Economy prepared an initial draft version of the Law on Public Private Partnership and forwarded this text for consultation to the European Commission services and SIGMA. Conference meetings were held with IT experts from the World Bank in parallel with the engagement of legal experts in order to analyse and develop the technical specifications for the establishment of the Single Electronic PPP system, with modules needed to ensure the implementation of the overall procedure for awarding agreements related to the establishment of a public-private partnership, from the announcement to the conclusion of the agreement, which will establish a Register of Concluded Agreements.

## Short-term priorities

### Legal framework

Full harmonisation of the legislation in the area of concessions and public-private partnership with the EU *acquis* is planned in the following period by transposing Directive 2014/23/EU, i.e. adoption of the law and bylaws, preparing guidelines and manuals for implementation of the Law . The technical documentation with the modules for the procedure for awarding contracts for public-private partnership and the database of concluded contracts, followed by the establishment of the Single Electronic PPP System that will create a Register of awarded public-private partnership agreements, which will include the data on all public-private partnership agreements concluded before the adoption

of the new Law, are planned to be finalised after the adoption of the new Law and bylaws.

## Institutional framework

The Unit for Concessions and Public Private Partnership will be systematised and will hire new employees in order to achieve continuous and consistent implementation of the competencies of the Ministry of Economy in this area. Trainings are planned in cooperation with the World Bank experts for the employees in the state administration working in this area.

The Public Private Partnership Council will commence its activities as an advisory body and policy maker in the area of public private partnership.

## Medium-term priorities

The Single Electronic System for Public-Private Partnership and the Register of Awarded PPP agreements will be upgraded and continuously managed in order to ensure greater transparency and a more efficient and unified system in the area of concessions and public-private partnership.

Following systematisation and strengthening of the Unit for Concessions and Public Private Partnership with new employees in the medium term and in order to strengthen the administrative capacity in the implementation of public private partnership projects and ensure consistent implementation of the legislation in this area, organising several seminars, workshops and trainings are planned in the area of public-private partnership, both for state institutions employees and for the employees in the local self-government units, the city of Skopje, public enterprises and other institutions from the public sector, and even beyond, for those who are interested from the private sector (economic operators).

# AWARDING PUBLIC CONTRACTS

## Current situation

The electronic public procurement system continued to be upgraded and continuously improved in 2020 by adapting the existing and developing new modules on the ESPP, as well as harmonisation of the legislation related to the use of the ESPP.

All activities in this procedure (starting from electronic planning and ending with e-complaint, attachment of concluded contracts and notifications for realised contract) are performed electronically by conducting electronic procurement through the ESPP.

A module for marking of crisis (COVID) procurement was implemented in 2020, as well as a service with the website on financial transparency – COVID-19.

13 trainings were conducted in the period from 01.01.2020 to 20.11.2020 in accordance with the Annual Education Plan on Public Procurement for 2020 for the persons who have to pass the exam for the first time and obtain a certificate for a public procurement person. A total of 212 visitors from the contracting authorities participated in the trainings. 12 recertification trainings were held during this period, in which 219 people were recertified, as well as 1 training for trainers, which was attended by 20 people/trainers.

The PPB organised and held 3 workshops during this period for the employees of the State Audit Office (SAO) in order to improve the knowledge and capacities of the SAO regarding the new Law on Public Procurement. The workshops were attended by a total of 72 auditors/SAO staff.

The Annual Operational Report of the SAO for 2019 identified 35 findings in the final audit reports relating to the audit of the manner and procedures for awarding public procurement contracts to the audited entities.

In addition, the PPB held 2 lectures as part of the initial training of the Academy for Judges and Public Prosecutors, which were attended by 60 participants.

The cooperation between the PPB and the State Audit Office, the State Commission for Prevention of Corruption, the Commission for Protection of Competition and the State Commission for Public Procurement Appeals was successful throughout the year.

## Short-term priorities

### Legal framework

The Public Procurement Bureau will continue to upgrade the ESPP in order to facilitate the access for users and ensure more efficient implementation of electronic procedures for awarding a public procurement contract, taking into account the legal provisions for mandatory use of electronic means in conducting public procurement.

The Bureau started with analysis for development of the technical solution for implementation of the e-market for low value procurements after the completion of the procedural part.

Use of anti-corruption tools in the ESPP (such as red flags) coupled with enhanced inter-institutional cooperation (the PPB will use the public procurement database at the national level to prepare various types of statistical reports as well as corruption indicators) and exchange of data from the procedures with other competent bodies (State Commission for Prevention of Corruption, Commission for Protection of Competition, State Audit Office, etc.).

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### Institutional framework

The regular trainings will continue during this period in accordance with the dynamics set out in the Public Procurement Education Plan. The main topic of these trainings will be practical application of the new Law on Public Procurement, as well as the identified weaknesses in the current application of the Law (for example, the use of e-auctions and the lowest price as the only criterion for awarding, use of framework and multi-year contracts for recurring procurement, splitting into extremely small lots, frequent errors in bid evaluation, rejection of bids due to small administrative omissions, etc.). The weaknesses in the application of the Law along with possibilities for their remediation will be also covered with new manuals, guides, etc.

The PPB will continue with consistent application of Article 45, Paragraph 1, item 3 of the Law, in order to overcome the detected weaknesses.

## Medium-term priorities

### Legal framework

Development and promotion of new instruments will be priority in this period in the process of awarding public procurement contracts: e-market for low value procurements and e-catalogues. The electronic market for small value procurement will be used for procurement of standard goods and services of small value in an efficient and effective manner, through an electronic platform in the form of an electronic catalogue. Each contracting authority may request the submission of bids in the form of an electronic catalogue or request the bid to include an electronic catalogue.

The novelties in the public procurement legislation of the European Union will be monitored during this period and if there are amendments to the national legislation they will be implemented.

### Institutional framework

The regular trainings will continue during this period in accordance with the dynamics set out in the Public Procurement Education Plan. Activities will be undertaken in the medium term to improve implementation of the legal framework for public procurement with new manuals, guidelines and more.

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# LEGAL REMEDIES

## Current situation

The State Commission for Public Procurement Appeals (SAC) is composed of a President and 4 (four) members who are appointed by the Assembly. The total number of employees in the SAC in the reporting period was 18 persons, of which 5 are members of the State Commission appointed by the Assembly and 13 persons are employed in the professional service, of which, 1 employee is an assistant technical person. The SAC representatives continued to participate in workshops and other forms of training on topics related to legal remedies in public procurement procedures, concessions and public-private partnership during 2020 and there was also delivery of generic and specialised training of civil servants working in the professional service of the SAC.

## Short-term priorities

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The cooperation with PPB, the Ministry of Economy, the Administrative Court and other institutions that are directly involved in exercising the rights under the new Law on Public Procurement, the Law on Concessions and Public Private Partnership, the Law on Public Procurement in the area of Defence and Security will be intensified. In order to strengthen the professional service of the SAC in for 2021, it is planned, in accordance with the Annual Employment Plan for 2021, to work on capacity building of the Commission through new employment and promotion of administrative civil servants. The State Commission for Public Procurement Appeals will submit a request for new employments and promotions by amending the Annual Employment Plan for the next year following the completion of the functional analysis in the next period. At the same time, the process of continuous training and professional development of all involved parties (private sector, public sector and local self-government, including the professional service in the SAC) will continue in the following period with the procedures for awarding public procurement contracts i.e. by organising workshops and trainings on topics related to the implementation of the new Law on Public Procurement, including the procedure for legal remedies in the implementation of public procurement agreements, concessions and public-private partnerships agreements. The cooperation of the SAC with SIGMA will continue, including cooperation with all relevant international institutions in the area of public procurement, concessions and

public-private partnership. Further improvement of the electronic archive and the system of legal protection of public procurement will be a priority in the short term, as well as the introduction of a complete electronic system for interoperability, which means electronic conduct of the entire appeal procedure before the State Commission, including holding a session through a conference link via Internet. The SAC will strengthen its capacity, especially that of the expert service in order to more efficiently review and analyse the complaints in terms of criteria given in the tender documentation, and, if necessary, the technical specifications, depending on the subject of the procurement.

## Medium-term priorities

The novelties related to the legal protection in the EU will be followed and will be implemented in the national regulations. Trainings in this area will be continued in cooperation with the PPB and the Ministry of Economy. Further strengthening of the administrative capacities of the SAC will be achieved through new employments and promotions of administrative staff working in the professional service or through contractual takeovers, development and maintenance of human resources, including increase of the budget funds in general, equipping with appropriate information and communication technology and software, and especially provision of funds for performing expertise in accordance with the PPL. The need to increase the number of staff entails an urgent requirement to provide new and suitable premises in which the State Commission will be located due to the obsolete and limited (in number) premises in which the SAC operates at the moment aimed at ensuring proper and normal functioning and quality execution of the work responsibilities and competencies. Also, the cooperation of the SAC with SIGMA is planned to continue, as well as with all relevant international institutions in the area of public procurement, concessions and public-private partnership by organising seminars, trainings and workshops.

# STATISTICS

## Findings and recommendations from the EC 2020 Report

The country is **moderately prepared** in the field of statistics. **Good progress** was made, especially in implementing the pilot phase of the population census and testing the new census methodology that partly relies on administrative data. Improvements are noted in all statistical areas and further aligning of sectoral statistics with EU standards. Continued efforts are needed to improve the scope and data quality of macroeconomic and social statistics. As the last year's recommendations were carried out, in the coming year, the country should in particular:

- ▶ adopt the legislation and ensure the necessary administrative capacities to carry out the population census in 2021;
  - ▶ continue to align financial accounts and quarterly national accounts with the European System of Accounts 2010 (ESA 2010);
  - ▶ ensure adequate staffing and sufficient financial resources for the State Statistical Office.
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# SUMMARY

The State Statistical Office is committed to provide high quality statistics in line with EU regulations and international recommendations. The first priority in achieving this objective is the continuous work on harmonisation of the national legal framework for statistics with the EU *acquis*, which directly supports the Government's policy for European integration of the country. In order to increase the quality of data, special attention is paid to the development of the meta-information system, protection of data from disclosure, technical support for efficient statistical production processes, facilitating data collection and improving the quality of communication with data providers and users.

Statistics, by sector, covers the statistical surveys conducted in accordance with the Statistical Survey Programme for the period 2018-2022, taking into account the Statistical Compendium as a relevant document for all producers of official statistics within the European Statistical System, as well as the European Statistics Code of Practice which sets out the principles for quality of the European statistics.

In terms of obligations of the National Bank in the field of statistics, the Bank has a strategic commitment to provide quality statistical data, fully compliant with international and European statistical standards, taking into account the reporting burden and their efficient, timely and simple dissemination to the users.

In the following period, the State Statistical Office will pay special attention to the following priorities:

- Conducting the Population and Household Census
- Further strengthening of the human and financial resources of the State Statistical Office through new employments that are planned;
- Continuous improvement of the quality of the tables sent to Eurostat.



# STATISTICAL INFRASTRUCTURE

## Current situation

Starting from January 2020, the new Acts for systematisation and organisation of the State Statistical Office are in force. These new acts establish a new organisational structure of the Office (two new Sectors are introduced) and increase the number of job positions in the Office. The assignment of the employees has been carried out as of 1 February 2020.

The total number of employees in the SSO as of November 2020 is 244.

The number of employees in the Statistics Department of the National Bank at the end of 2020 is 38, with one new employment in 2020. In a situation of the pandemic, the improvement of the capacity of the employees was achieved through activities that ensured continuity in the work and through the improvement of the operational procedures in emergency conditions (work from home, work in teams, etc.).

In 2020, the following Quality Indicators have been prepared and published:

- A6.1 - Number of data revisions
- TP1 - Time difference to the first results
- TP2 - Time difference to the definitive results
- TP3.11 - Time difference of publishing the data of the first results
- TP3.12 - Time difference of publishing the data of the definite results
- AC1 - Number of views of data tables
- AC2 - Number of metadata views
- AC3 - Coverage of metadata from statistical outputs, statistical processes and quality,

The Quality Indicators are calculated (for the SSO) at the level of statistical research, statistical domain and total for the reference year of processing – 2016, 2017, 2018 and 2019.

## Short-term priorities

Engaging the necessary human resources to support the SSO in the implementation of the new organisational structure and of the European legislation (continues in medium-term priorities).

## Medium-term priorities

Full revision of the Law on State Statistics in terms of its compliance with EU statistical standards and with the domestic legislation.

## Current situation

Complete replacement of the computer network of the SSO. The development of the integrated metadata system according to the SRAD document has started. Functional specifications for the statistical register of business entities have been developed.

## Short-term priorities

Maintaining continuity in the modernisation of the IT environment in the SSO, in order to effectively support the process of statistical production and internal and external communication:

- Complete data centre replacement (servers, data storage and backup library)
- Submission of data to Eurostat following the requirements of Vademecum 2019 (continues in medium-term priorities)
- Integrated metadata-driven data collection system and system for editing, imputation, validation, aggregation and preparation of output data (continues in medium-term priorities)
- Redesign of the statistical register of business entities (continues in medium-term priorities).

The establishment of a data warehouse of the National Bank will



be strengthened by building a single statistical data warehouse on external statistics as a precondition for full compliance with EU requirements in terms of disaggregation opportunities by countries, activities, sectors, instruments, following the requirements of *Vademecum*: Commencement of the initial activities for the realisation of the new project for creating a data warehouse through the IPA programme (*continues in medium-term priorities*).

## DISSEMINATION

### Current situation

#### State Statistical Office

In the field of dissemination, the regular publication of statistical data according to the Publication Calendar continued. Despite the difficulties that arose with the outbreak of the COVID-19 epidemic, the SSO managed to publish all data on time.

In terms of communication and public relations, the regular activities continued. The Office is regularly present in the media daily with a greater emphasis on the preparations for the 2021 Census.

- As part of the cooperation with the UNFPA Office in North Macedonia, an external expert - communicologist was hired, with whom intensive activities were started for preparation of a Communication Plan for the 2021 Census.
- Since September 2019, the SSO is present on Facebook, by opening the official FB page of the SSO. This page is in Macedonian and Albanian.

#### National Bank

- The extraordinary events related to COVID-19 did not have an impact on the process of dissemination of statistical data in the National Bank, which was fully realised in accordance with the Publication Calendar. There were no time delays, and the scope and quality of data sources and their production remained unchanged if compared to the pre-pandemic period. Press releases about the primary statistical data under the mandate of

the National Bank were published on regular basis and simultaneously with the publication of the appropriate data set.

- Appropriate adjustment of the communication with the rapporteurs, especially for the notifications in paper form, is achieved with more intensive electronic communication (notification through contact-statistics, electronic messages, etc.), and continuity of the meetings with the rapporteurs is provided through the electronic platform. Activities on two projects for rationalisation of the data collection process (for foreign credit operations and direct investments) have been started, for replacement of the reporting in paper form with electronic reporting.
- As part of the activities to strengthen the transparency and to improve communication with the public, in July 2020, in a situation of COVID-19 pandemic, the first online workshop for journalists was held which was dedicated to statistics of other financial institutions.

## Short-term priorities

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### State Statistical Office

Modernisation of the manner of dissemination of statistical data:

- Preparation of Communication and Dissemination Strategy (continues in the medium-term priorities).
- Increased presence of statistics on social media (Twitter and Facebook) (continues in the medium-term priorities).
- Publishing of thematic publications from statistical research (continues in the medium-term priorities).

### National Bank

Promotion of dissemination of statistics in the National Bank:

- Activities for improving the communication with the users (continues in the medium-term priorities).
- Activities to strengthen support for reporters and facilitate reporting (continues in the medium-term priorities).

## Medium-term priorities

Modernisation of the manner of dissemination of statistical data:

- Increasing statistical literacy
  - Strengthening the capacities for the production of electronic publications
  - Strengthening the capacities to produce experimental statistics
  - Publish tailor-made statistics
  - Improving the content of SSO dissemination products.
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# CLASSIFICATIONS AND REGISTERS

## CLASSIFICATIONS

### Current situation

In the period January 2020 - November 2020, the following classifications have been prepared:

- List of activities on the use of time – LAKV 2020
- The standard classification of education by fields (areas) – SKOP 2019
- Correspondence table for:
  - List of activities on the use of time – LAKV 2020 with 2018
  - Standard classification of education by degrees (levels) – SKOS 2013 with 2002
  - Nomenclature of Territorial Units for Statistics – NTES 2014 with 2007
  - Nomenclature of Territorial Units for Statistics – NTES 2019 with 2014.

In the period January 2020 - November 2020, the following activities have started:

- Classification of personal consumption by purpose – KLPN (according to COICOP 2018)
- National Classification of Crimes (according to ICCS)
- Correspondence table for:
  - Classification of products by activities - KPD 2015 (according to CPA 2.1) with Combined Nomenclature - CN 2020
  - Classification of products by activities - CPA 2015 (according to CPA 2.1) with Combined Nomenclature - CN 2021.

## Short-term priorities

Harmonisation of the system of national standards with the European system of statistical standards, by:

- Monitoring changes and harmonising classifications - National Classification of Activities, Classification of Products by Activity, National Nomenclature of Industrial Products (continues in the medium-term priorities).
- Harmonisation of the system of national standards with the European system of statistical standards - Standard code lists (continues in the medium-term priorities).

## Medium-term priorities

Harmonisation of the system of national standards with the European system of statistical standards.

The following classifications need to be prepared in the period 2023 – 2025:

- Harmonised system for marking and coding of goods - HS
- Combined nomenclature - CN.

## REGISTERS

### Current situation

**Statistical Business Register (SBR)** – The Statistical Business Register (SBR) is regularly updated and current control is performed on the accuracy and quality of the data, especially the data on the activity, size, addresses, etc. The database of the groups of enterprises as of 31 December 2018 has been prepared, and the database of groups of enterprises for 2019 is in the preparation phase. There is continuous work on the development of the methodological bases and the functionality of SBR, harmonised with the European standards and recommendations, especially on the improvement of quality and coverage of the groups of enterprises within the national programme IPA 2017.

**Statistical Register of Agricultural Holdings** – The signing of the Memorandum of Cooperation between the State Statistical Office and the Ministry of Agriculture, Forestry and Water Economy

provided a legal framework for use of data from the Administrative Register of Agricultural Holdings. In that regard, the Statistical Register of Agricultural Holdings was updated and a sample frame was prepared for the planned Structural Survey of the Agricultural Holdings.

**Statistical Territorial Register – SRPE (Methodology for introduction and management of a statistical register of spatial units)** – The use of geospatial data from the administrative register of spatial units for conducting surveys and other geospatial analyses continued, and the production of thematic maps for various products and needs also continued. Web cartography data is regularly updated, and WMS services are prepared for publication on the NSDI (National Spatial Data Infrastructure) geoportal managed by the Real Estate Cadastre Agency.

**Statistical register of employees** – Following the examination of the quality and the possibility of using administrative data sources, procedures were created for connecting several examined administrative sources per employee and business entity.

## Short-term priorities

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### Development of the Statistical Business Register

- Further development of the methodological bases and functionality of the SBR, harmonised with the European standards and recommendations (continues in the medium-term priorities)
- Upgrading the Register of Agricultural Holdings (continues in the medium-term priorities)
- Implementation and introduction of newly available sources for updating the Statistical Register of Agricultural Holdings (continues in the medium-term priorities)
- Activities for establishing a Register of Employees (continues in the medium-term priorities)
- Analysis of databases obtained from various administrative sources and setting the definitions (continues in the medium-term priorities)
- Successful use of as many registers as databases – by September 2021 at the latest, the registers of the Ministry of Education and Science and the Ministry of Labour and Social Policy will be connected
- Further development of the Statistical Territorial Register



(continues in the medium-term priorities)

- Use of spatial data needed to conduct surveys and geospatial analysis and services (continues in the medium-term priorities).

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# STATISTICS BY SECTORS

The statistics by sectors cover the statistical surveys conducted in accordance with the Statistical Survey Programme for the period 2018-2022, taking into account the Statistical Compendium as a relevant document for all producers of official statistics within the European Statistical System, as well as the European Statistics Code of Practice, which sets out the principles for quality of the European statistics.

At the same time, the strategic commitment of the National Bank in the field of statistics is to provide quality statistical data, fully harmonised with international and European statistical standards, in the field of external statistics, monetary statistics, financial accounts statistics and securities statistics.

## DEMOGRAPHIC, SOCIAL STATISTICS

### Current situation

In the field of social statistics, there is continuous work on harmonisation of statistics with EU regulations. In the framework of preparations for the upcoming Census of Population, Households and Dwellings 2021, the following activities have been realised:

- The Law on Census of Population, Households and Dwellings in the Republic of North Macedonia 2021 was adopted on 25 January 2021.
- The Methodology for preparation, organisation and implementation of the Census of Population, Households and Dwellings in the Republic of North Macedonia 2021 has been published.
- The Law on Census and the Methodology were shared with Eurostat. In most respects, the documents are generally in line with the relevant standards defined in the European Union statistical legislation, although EU legislation is not yet binding on North Macedonia as a candidate country.

- The data collection application is ready and tested on the Cloud.
- The Parliament of the Republic of North Macedonia adopted the Law on Changes and Amendments to the Law on Census of Population, Households and Dwellings in the Republic of North Macedonia 2021 on 2 April 2021 ("Official Gazette No.74/2021). With this Law, the implementation of the Census of population, households and dwellings units in the Republic of North Macedonia 2021 is postponed for the period from 5 September to 30 September 2021, instead of the originally planned period from 1 April to 21 April 2021. With this Law, the critical moment of the Census is 4 September 2021.
- The Law also harmonises the dates for conducting the Census of certain categories of the population with the mediation of the Ministry of Defence, the Ministry of Justice, the Ministry of Labour and Social Policy and the Ministry of Foreign Affairs i.e. the original dates from 1 March to 15 March 2021 are now replaced with dates from 20 August to 4 September 2021.
- The implementation of the Census for the citizens of the Republic of North Macedonia who are temporarily working or residing abroad will continue until 30 September 2021.
- Article 6 of the Law stipulates that, with the entry into force of this Law, the area instructors and enumerators who have been selected and appointed in accordance with the Law on Census of Population, Households and Dwellings in the Republic of North Macedonia 2021 ("Official Gazette 19/2021), shall cease their operation.
- With the entry into force of this Law, the individual acts by which the regional instructors and enumerators are selected and appointed as participants in the implementation of the Census shall cease to be valid.

In order to improve the health statistics, the fiche within IPA 2017 for implementation of the European Health Interview Survey (EHIS) has been prepared and approved. Activities related to the Survey on Roma Inclusion have started.

In the field of education, EDUCAT\_ESQRS\_A\_MK\_2018 was submitted to Eurostat.

The following was implemented in the field of the labour market:

- Because of the implementation of COVID-19 restrictive measures, according to Government recommendations

for protection, the household interviewing methods from the APC were reorganised. Only a quarter of the APC sample was conducted in the field, while three quarters were surveyed by telephone.

- Annual payroll and employee data were published using data from administrative sources.
- Methodological instruments were prepared for conducting the Gender-based violence research, and the questionnaire was tested.
- The activities for improvement of the Statistical Register of Employees continue.

In the area standard of living:

- The previous results of the APUZ survey (Income and Living Conditions Survey) 2019 are published in a statement.
- The final results of the APD research (Household Consumption Survey) for 2019 have been published in tables for the Makstat database.
- The instruments for the implementation of the AKV (Time Use Survey) 2020 have been prepared in accordance with the Eurostat recommendations.
- The weights for the Harmonised Cost of Living Index (HICP) for 2020 have been calculated and transmitted to Eurostat.

In the field of forensic statistics, activities are underway to map the National Classification of Crimes with the International Classification of Crimes for Statistical Purposes (ICCS).

The Gender Equality Index for Macedonia was verified and published, which was submitted to the European Institute for Gender Equality.

Multicenter research has been realised (MIKS 6). This research is organised by the SSO in cooperation with the UNICEF Office in Skopje.

## Short-term priorities

Improving labour market and living standards statistics::

- Calculation of the labour price index (continues in the medium-term priorities).
- Gender pay gap calculation (continues in medium-term priorities).

- Improving the harmonised cost of living index and establishing experimental calculations of the housing price index (continues in the medium-term priorities).
- Implementation of the CAPI method for survey data collection in the field of social statistics (continues in the medium-term priorities).

Improving demographic statistics:

- Implementation of the Census of Population, Households and Dwellings in 2021 (continues in the medium-term priorities).

Improving education, social protection and court statistics:

- Providing qualitative and quantitative data for ESSPROS (Social Protection Statistics); (continues in the medium-term priorities).
- Preparation of a quality report for pension beneficiaries and a quality report for the Core System and submission to Eurostat (continues in the medium-term priorities).
- Improving court statistics (continues in the medium-term priorities).
- Conduct a Gender-Based Violence Survey.

## BUSINESS STATISTICS

### Current situation

The redesign of the statistical register of business entities is taking place within the national project IPA 2017. The activities are planned to be implemented by the deadline (March 2022), but their difficult development due to the pandemic should also be taken into account.

In terms of demographics of the enterprises, the data for 2019 is being prepared, during which harmonisation has been achieved for the reference period on the number of newly created, closed and surviving enterprises.

Further harmonisation of the statistics in the field of tourism, in relation to the travel of the domestic population (EU Regulation 2019/1681) is being implemented and work is being done on the introduction of satellite accounts in tourism within the national programme IPA 2017.

Preparations under the short-term statistics (including the introduction of foreign trade in services) for the introduction of the new FRIBS regulation are ongoing.

## Short-term priorities

Redesign of the statistical business register:

- Introducing a new logical design of the statistical business register to improve its functionality

Providing short-term statistics in accordance with Regulation 1165/98:

- Improving short-term statistics – preparation for the introduction of the FRIBS regulation (continues in the medium-term priorities).
- Introduction of the research – Tourism satellite accounts (continues in the medium-term priorities).

Harmonisation of statistics on foreign trade in services:

- Improving the statistics on foreign trade in services in accordance with the FRIBS regulation (continues in the medium-term priorities).

Harmonisation of a structural business statistics in accordance with EU Regulation 250/2009:

- Improving the set of characteristics on the business entities and the enterprise demographic data (continues in the medium-term priorities).

## AGRICULTURAL STATISTICS

### Current situation

The statistics in the field of crop and livestock production, fisheries, prices and economic accounts in agriculture are continuously harmonised with the EU regulations.

Based on the EC Regulation 2018/1091, the methodologies and the questionnaire for a structural survey on agricultural holdings were prepared and the other preparatory activities were completed. However, due to the spread of the COVID-19 pandemic, the research will be conducted during 2021.

The fisheries data collection instrument is fully in line with EC

Regulation 762/2008, as well as with the needs of the Ministry of Agriculture, Forestry and Water Economy. The implementation started in 2021.

## Short-term priorities

Provision of relevant data to support decision-making for agricultural sector development:

- Conducting the Structural Survey on Agricultural Holdings.
- Further harmonisation of the meat statistics in accordance with Regulation 1165/2008.

## Medium-term priorities

- Further development of economic accounts for agriculture by including calculations for the agricultural land and rent prices (medium-term priority).
- Providing higher quality administrative data
- Preparation and implementation of the Census of Agriculture
- Improving the compliance of agricultural statistics with European standards.

# ENVIRONMENTAL STATISTICS

## Current situation

Improving the quality of data sources for calculating environmental taxes and environmental costs and improving environmental accounts –were key priorities in the field of environmental statistics.

## Short-term priorities

Providing data for monitoring environmental statistics:

- Development of data collection tools on water use in all sectors of the National Classification of Activities (NCA) (continues in the medium-term priorities).



## Medium-term priorities

Providing relevant data on water use in all sectors of the NCA.

- Introduction of gas emission accounts
- Introduction of physical energy flows accounts
- Develop satellite accounts for certain statistics.

## MACROECONOMIC STATISTICS

### Current situation

During this period, the SSO devoted itself to activities in the field of macroeconomic statistics, with special emphasis on Government Finance Statistics (GFS) and Excessive Deficit Procedure (EDP notification table).

During 2020, in April and October, the NDP notification tables for the period 2016-2019 were prepared and sent. The Questionnaire for public enterprises controlled by the state and classified outside the State sector for 2018 was sent out in April.

The Eurostat request for confirmation of the data sent in April and October was answered. For the first time, the questionnaires related to the EDP notification tables were prepared and sent, in the period 1-3 April, and explanatory notes were prepared and submitted to Eurostat in the period 1-5 October.

Within the GFS-EDP project, the transmission tables ESA 2010 about the State sector and the National Tax List for the period 2011 - 2016 have been submitted to Eurostat. The tables have been revised according to the tax calculation method. A methodological document on the sources and methods for compiling the annual national accounts for the State sector by sub-sectors and the EDP statistics in accordance with ESA 2010 has been revised and sent to Eurostat.

During 2019, within the sector accounts project, a transmission of the sector accounts was made through the SDMX-NA transmission standards for the period 2014 - 2016 on an experimental basis. A methodological document on the sources and methods for compiling the set of sector accounts (ASA Inventory) has been prepared.

As a result, several methodological improvements have been made in accordance with the EU methodologies and they are included in the current calculations.

In the past period, the activities for upgrading the data warehouse for the national accounts and the supply and use tables have been intensified and they have been completed according to the planned

deadlines.

During 2020, the annual GDP data and the data for compiling the supply and use tables for 2018 – also definitive for 2019 - were prepared through the data warehouse for the national accounts. The data for 2018 was updated with the final results.

Data on key tables according to the Eurostat ESC 2010 Data Transmission Programme are continuously sent (tables with main aggregates and branch tables, aggregated at a sector level, are prepared and submitted to Eurostat in accordance with Regulation No. 549/2013).

Data from Table 302 - Investments in Fixed Assets for Series 2000 -2018, were validated. The series for Table 302 - Investments in Fixed Assets was updated with definitive data for 2018 and previous data for 2019 and was ready for transmission to Eurostat.

These data not only provide international comparability but also create a more adequate basis for analysis by those in charge of adopting macroeconomic measures and policies.

The preparation of a series of data on the regional GDP in the series 2000 - 2008 is in progress, according to the NCA, rev. 2.

To improve the cost categories of GDP, work was done to improve the quarterly data on NPISH (Non-Profit Institutions Serving Households) within IPA 2015 and to improve and supplement the input data in the model for the series from 2016 to the fourth quarter of 2019. There are ongoing activities on the continuation of the series and data analysis for their integration in the quarterly GDP calculations. During 2020, the data regarding the software for internal use was processed in accordance with the results of the Structure of Earnings Survey for 2018.

Supply and use tables for 2017, in accordance with ESA 2010 - definitive data are prepared, published and sent to Eurostat.

Experimental tables of supply and use at constant prices for the period 2012 - 2017 have been prepared and the current use has continued in terms of a possibility for their integration in the national accounts.

Tables (T1001 and T1002) on GDP components by activities at the national level according to the NCA, rev.2 have been prepared and sent to Eurostat for 2018 - definite data and for 2019 - preliminary data.

Table T1200 on GDP components by activities at regional level according to NCA, rev.2 has been prepared and sent to Eurostat, for 2018 - definite data.

During 2020, the method of calculation for regionalisation of GDP, employees and investments in fixed assets was improved. The Top-down regionalisation method that was used was replaced by the Bottom-up method, depending on available administrative and statistical data at the regional level.

Previous data on gross domestic product and investments in fixed assets for 2019 have been calculated and published.

The realisation of project activities from the multi-user programme IPA 2017 continued.

## Short-term priorities

Implementation of SNS 2008 (System of National Accounts) and ESA 2010 (European System of Accounts):

- Preparation of data for tables according to ESA 2010 programme for submission of data to Eurostat (continues in the medium-term priorities).
- Improving the cost categories of GDP and calculating the value-added on a quarterly basis for the period 2000-2019 (continues in the medium-term priorities).
- Preparation of the annual sector accounts in accordance with the ESA 2010 for the period 2008-2019 (continues in the medium-term priorities).
- Preparation of data on the main GDP aggregates, annual and quarterly, for the series 1995-1999 (continues in the medium-term priorities).
- Research of data sources, analysis and preparation of data on fixed assets as part of the Eurostat transmission programme (continues in the medium-term priorities).

Preparations for compiling Excessive Deficit Procedure (EDP) tables:

- Preparation and improvement of quality of the tables according to the Excessive Deficit Procedure using the Eurostat deficit and debt methodology (continues in the medium-term priorities).

Improving the quality of data in supply and use tables and the input-output tables according to ESA 2010:

- Improving the calculations of the supply and use tables at constant prices (continues in the medium-term priorities).

Improving the methods for calculating the value-added at the regional level:

- Improving the methods for calculating the value-added at the regional level (continues in the medium-term priorities).
- Differentiation of gross investments into investments in fixed assets and changes in inventories quarterly (continues in the medium-term priorities).
- Improving the established data warehouse for preparation of national accounts and supply and use tables (continues in the medium-term priorities).

## Medium-term priorities

Improved calculations of GDP according to the expenditure approach at current and constant prices:

- Calculations of employee assets at the regional level.

## MONETARY, FINANCIAL, TRADE STATISTICS AND BALANCE OF PAYMENTS STATISTICS

### Current situation

#### State Statistical Office

During the monitored period, using the TEC data (commodity exchange according to the economic characteristics of the companies) for the reference year 2018, in compliance with all methodological rules for processing and active confidentiality, a statement was issued and the MakStat database was updated with new tables.

Methodological rules for the *Commodity exchange by invoice currency* research have been developed, in accordance with the metadata and methodological rules, and data have been published in the MakStat database.

In order to bring the national system closer to the EU system of rules, data control has been improved by introducing new controls, and the data control guideline has been updated accordingly. The unit value indices - final data for the appropriate reference period are processed and published in the MakStat database by complying with the new data controls.

### Short-term priorities

#### Providing short-term statistics in the field of foreign trad

- Submission of commodity trade data according to the economic characteristics of enterprises in SDMX format (continues in the medium-term priorities).
- Submission of monthly detailed commodity trade data according to DOC MET 400 for candidate countries (continues in the medium-term priorities).
- Submission of annual detailed data on commodity trading by invoiced currency according to DOC MET 1084 (continues in the medium-term priorities).

## Ministry of Finance

Representatives of the Ministry of Finance participated in working groups and commissions established by the State Statistical Office and the National Bank in order to improve the statistics and harmonise with European standards.

The Ministry of Finance submitted databases (from the Treasury Information System) to the State Statistical Office and the National Bank for the needs of preparing the non-financial and financial account of the State sector (Budget of North Macedonia and local self-government units), as well as databases (from the Treasury Information System) for the needs for calculation of revenues and expenditures using the calculation method for the State sector.

In July 2020, an online mission was held as part of the regional project for the implementation of government statistics (Government Finance Statistics-GFS/European System of Accounts-ESA) funded by the Swiss Economic Secretariat - SECO.

## National Bank

In 2020, the Bank undertook a series of activities for further harmonisation with the international and statistical standards of the EU.

In terms of financial accounts statistics, there were continuous activities in 2020 on improving the methodology and quality of the annual data (balances). Adequate data quality was achieved and the methodology was improved (in accordance with ESA 2010), which enabled their publication at the end of 2020, when data on financial accounts, balances, time series for the period 2013 – 2019 and methodological clarifications – were all published on the website of the National Bank.

Additionally, in accordance with the recommendations from: a) IMF Technical Mission in the field of financial accounts, b) Twinning Project "Strengthening the institutional capacity of the NBRNM in the process of accession to the ESCB", c) IMF Project for improving the statistics of the State sector, implemented with the IMF and the SSO – the National Bank is making efforts to improve the data sources and the methodology for compiling quarterly financial statements and annual flows. In April and October 2020, data on the flows on the financial accounts of the State sector for the period 2016-2019 were submitted to the SSO, by sub-sectors, as input for the EDP notification tables, with improved methodology and scope of certain financial instruments. The new improved methodology is also applied to financial account data, which will be submitted to

Eurostat in December 2020 (for the period 2013-2019) and leads towards further harmonisation with ESA 2010.

In the field of external statistics, there were activities to enrich the available data. The reports on the income from direct investments by countries and activities and reports on direct investments by geographical and economic zones were prepared, in accordance with the requirements of *BoP Vademecum* and were submitted to Eurostat, thus achieving further harmonisation of the statistics on direct investments with the EU requirements. Tables 4.2, 4.3 and 5.2 were submitted to Eurostat for the first time by BoP Vademecum on 30 September 2020, according to the detailed requirements for dissemination of data by countries and activities.

In accordance with the commitment to enrich the data set submitted to the IMF within the Coordinated Portfolio Investment Questionnaire (CPIS), during 2020 the data from Tables 5 and 6 on portfolio investment assets were prepared, by country and sector of non-resident issuer, and by sector of non-resident issuer and resident investor, for a certain group of countries. In October 2020, this data was published on the website of the National Bank and submitted to the IMF. Within CPIS, the National Bank also participated in the pilot project on the first annual data exchange about the securities issuers sector.

As part of the project for the preparation of a draft methodology for private transfers, a document was prepared and presented at the Conference on External Statistics, held in Lisbon in January 2020. Work was also done to identify and consider acceptable alternative solutions for assessing unregistered exports of goods and services, the shadow economy, tourism, travel and more. Additionally, the cooperation with the SSO for the needs of the IPA Project *International Trade in Services* has been intensified. For the needs of this project, in October 2020, Annex 4 was concluded to the Data Exchange Agreement with the SSO, on the basis of which detailed data on the item *services from the balance of payments* were submitted to the SSO.

In the field of monetary statistics, within the long-term project for establishing an integrated reporting system for statistical needs and the ISIDORA supervision, several activities have been undertaken, primarily by advancing the conceptual solution for the use of the data from the credit register for statistical needs and its future upgrade for the reporting needs of the National Bank as a whole. The activities of this project are being realised with slower dynamics, given the complexity of the project and the need for changes that

occur during the preparation of the conceptual solution. Additional confirmation of the manner and content of the future reporting is expected with the IPA Project "Strengthening the capacity of the central banks of the Western Balkans in the integration with the ESCB" within the activities agreed with the experts from the Central Bank of Portugal, which have been postponed due to the situation with COVID-19.

In the field of securities statistics, the activities for software connection of all available databases on securities trading in the country and abroad continued. Improving these statistics creates preconditions for enriching data sources and improving the quality of financial accounts statistics.

## Short-term priorities

### National Bank

#### EXTERNAL STATISTICS

Further harmonisation of the external statistics with the new international standards (BPM6) and the requirements contained in EU Regulation No. 555/2012 statistics concerning the balance of payments, international trade in services and foreign direct investment:

- Activities for improving the methodology for calculating the secondary income – consideration of acceptable alternative solutions for estimating the actual amount of income from remittances and estimating the unregistered export of goods and services; establishing a new draft methodology for the balance of payments in the field of private transfers (continues in the medium-term priorities) ;
- Activities related to the IPA Project of the SSO for International Trade in Services, as the main carrier of the activities;
- Adaptation of data sources used for external statistics in a situation of further liberalisation of capital transactions with non-residents and the implementation of EU regulations on payment services and payment systems (continues in the medium-term priorities).



### MONETARY STATISTICS

Further adjustment of the monetary statistics (balance sheet statistics and statistics of other financial institutions) and interest rate statistics to the requirements of EU regulations related to the preparation of balance sheet schemes of the monetary and financial institutions sector (ECB/2013/33), interest rates (ECB/2013/34), statistics on assets and liabilities of investment funds (ECB/2013/38), insurance companies (ECB/2014/50) and pension funds (ECB/2018/2):

- Activities within the project for introduction of an integrated data reporting system for statistical and supervisory purposes (ISIDORA), in accordance with the recommendations of the ECB and the new EU regulations on balance sheet statistics and flow statistics, as well as the new requirements of ESA 2010. Preparation of a concept for the receipt of monetary data, preparation of codebooks, formal and logical controls, methodologies, laws and bylaws (continues in the medium-term priorities).

### FINANCIAL STATISTICS

Development of financial accounts statistics in accordance with SNA 2008 and ESA 2010:

- Improvement and regular preparation of the annual financial accounts (balances) for all sectors/sub-sectors in the national economy (continues in the medium-term priorities).
- Preparation of an experimental version of the annual sector financial accounts (flows), initial quarterly financial accounts, non-consolidated and consolidated data (continues in the medium-term priorities).
- Regular working meetings of the working groups for SFS and EDP, as well as activities within the project for improvement of Government statistics (continues in the medium-term priorities).
- IMF Technical Assistance - expert mission to assess the financial account, balances and transactions.

**SECURITIES STATISTICS**

- Final activities for the development of application software and preparation of reporting tables for securities, for the needs of financial accounts statistics and external statistics. Preparation of reporting tables for the "investments in debt securities" indicator, in accordance with the requirements of the SDDS plus standard.

# FINANCIAL CONTROL

## Findings and recommendations from the EC 2020 Report

North Macedonia is **moderately prepared** in this area. **Some progress** was made with the implementation of the new policy paper on public internal financial control and the national anti-fraud strategy. Improved internal control and effective follow-up of external audit recommendations have yet to be pursued. Financial inspection is still not efficient. The independence of the State Audit Office (SAO) is not yet constitutionally guaranteed. Since not all 2019 recommendations were implemented, in the coming year the country should in particular:

- ▶ ensure improved managerial accountability and transparency through the effective implementation of internal control standards in public-sector organisationsâ€™ management processes;
- ▶ improve quality of external audit and follow-up of SAO recommendations by the government and Parliament;
- ▶ strengthen the role of the anti-fraud coordination service (AFCOS), establish the AFCOS network and improve management of irregularities through the Irregularity Management System.

## SUMMARY

The development of the system of internal financial control in the public sector, by creating a stable and efficient system of financial management and control, as well as internal audit in the public sector entities, will continue in the next period with the implementation of the Policy for internal financial control in the public sector (with Action Plan for the period from 2019 to 2021).

The financial management and control system will be strengthened by improving the relationship between strategic planning and resource planning, strengthening decentralised management accountability, including delegating decision-making responsibilities, effective risk management, strengthening control activities in financial management and improving reporting, communication and monitoring.

In order to improve the efficiency of the internal audit, measures will be taken for timely implementation of the recommendations from the internal audit, as well as by completing the process of national certification of the internal auditors.

# PUBLIC INTERNAL FINANCIAL CONTROL AND EXTERNAL AUDIT

## PUBLIC INTERNAL FINANCIAL CONTROL

### Current situation

The implementation of the IPA twinning project "Strengthening budget planning, execution and internal control functions" continued, with a focus on strengthening the system of public internal financial control through effective implementation of the Public Internal Financial Control Policy (PIFC). Due to the COVID-19 pandemic, in order to adjust the periods, the Central Harmonisation Unit, in cooperation with the experts involved in the twinning project, prepared a report with analysis and recommendations for improving the Action Plan for the period 2019-2021 from the PIFC Policy.

A Draft Law on the system of internal financial control in the public sector has been prepared, which is harmonised with the new Law on Budgets and is published on the ENER system. A round table was organised for the presentation of the Draft Law to the relevant stakeholders. The Law was submitted to the Parliament and was also endorsed by three Parliamentary committees.

In order to further improve the structure, scope and impact of the PIFC Annual Report, a Draft Rulebook on the form and content of the reports, action plans and the statement on the quality and status of internal controls for the PIFC Annual Report have been prepared.

In order to provide continuous training on public finance (including PIFC), activities were established within the Twinning Project for the establishment of the Academy of Public Finance. A working group has been established to coordinate the activities for the establishment of the Academy, which will prepare an analysis and propose a model for the organisation of the *Academy of Public Finance*. The Draft Law has been prepared, an opinion has been received from the Secretariat for Legislation, but opinions are also expected from the Ministry of Information Society and Administration and the Ministry of Education and Science.

In April 2020, the Central Harmonisation Unit published "Guidelines for the operation of the internal audit units of the public sector in the Republic of North Macedonia in a situation of emergency caused by COVID-19".

In August 2020, the Government adopted the Annual Report on the functioning of the PIFC system for 2019

## Short-term priorities

### Legal framework

In 2021/2022, the realisation of the activities planned within the Twinning Project "Strengthening the functions of budget planning, execution and internal control" will continue, following the Action Plan of the Public Finance Management Reform Programme (2018 - 2021) and the Action Plan from the Policy for internal financial control in the public sector (2019 - 2021).

A Law on the system of internal financial control in the public sector will be adopted by the Parliament in the second quarter of 2021.

Following the adoption of the Law on the system of internal financial control in the public sector in 2021/2022, several bylaws will be adopted, as follows:

- Rulebook on the manner of applying managerial accountability and the principles for delegating competencies and responsibilities in the implementation of key financial management processes;
- Rulebook on the content of the framework for the establishment and development of the internal control system and the components of internal control;
- Guideline on how to conduct a review of the quality of the financial management and control;
- Manual for financial management and control;
- Rulebook on the manner of performing the activities within the competence of the organisational unit in

- charge of financial affairs;
- Training programme for financial management and control;
- Rulebook on the form and content of the certificate for certified internal auditor in the public sector;
- Rulebook on conducting training and exam for obtaining a certificate for certified internal auditor;
- Programme for conducting training and exam for obtaining a certificate for certified internal auditor;
- Rulebook for continuous professional development of internal auditors.
- Manual for internal audit;
- Code of Ethics for internal auditors;
- Guideline for preparation of a Programme for ensuring and improving the quality of internal audit;
- Guideline for checking the quality of internal audit activities;
- Operational guideline for the Audit Committee;
- Rulebook on the form and content of the reports, action plans and the statement on quality and situation of the internal controls from the annual report on the system of internal control in the public sector;
- Guideline on the manner of establishing and maintaining a register of internal audit units and internal auditors in the public sector;
- Guideline on the manner of establishing and maintaining a register of certified internal auditors for the public sector;
- Instructions on the manner of establishing and maintaining a register of financial affairs units, heads of financial affairs units;

## Institutional framework

In 2021/2022, in accordance with the "Policy for internal financial control in the public sector", and within the twinning project, in four pilot Ministries there will be work on improving the link between strategic planning and resource planning, by establishing/ improving the cascade model of objectives in the strategic and annual plans. In addition, the efficiency of the control activities in the financial management will be improved in four pilot institutions, and the results will be promoted at a public event in front of other public



sector institutions. The Central Harmonisation Unit will conduct checks on the quality of operation of the internal audit units and the quality of financial management and control in two public sector entities simultaneously. An assessment and recommendations will be prepared on the manner of organisation of the School of Public Finance and training and examination for national certification of internal auditors will be conducted.

During 2021, the preparation of the Public Finance Management Reform Programme (2022 - 2027) will begin, which will be adopted in early 2022. The School of Public Finance will start operating. The plan is to strengthen the human resources in the Central Harmonisation Unit.

## Medium-term priorities

In the period 2023 to 2025, the implementation of the *Public Finance Management Reform Programme (2022 - 2027)* will continue, which, in the part of internal control, will be aimed at further improving the relationship between strategic planning and resource planning, further improving the efficiency of the control activities in the financial management, strengthening the quality checks of the financial management and control operations and the internal audit, as well as strengthening of the work of the School of Public Finance.

## Foreign aid

A Twinning Project "Strengthening the functions of budget planning, execution and internal control" will be realised in the period 1 February 2020 – 1 February 2023, funded by the EU in the amount of EUR 3.7 million, focusing on the component aimed at strengthening the system of public internal financial control through the implementation of the PIFC Policy.

# FINANCIAL INSPECTION

## Current situation

During 2020, the financial inspection in the public sector continuously worked on establishing a functional system of financial inspection in the public sector and ongoing execution of inspection supervision

in accordance with the reports that have been received. Several trainings were held for the financial inspection employees in order to build their capacities.

With the support of the IPA Twinning Project "Strengthening the functions of budget planning, execution and internal control" a comprehensive analysis of the legal framework for financial inspection was conducted, and a comparative analysis of the experiences of the MoF and best EU practices in Croatia, Bulgaria and Slovenia was conducted. Based on initially conducted analyses, a draft Law on Financial Inspection in the Public Sector was prepared.

## Short-term priorities

### Legal framework

In order to strengthen the role of the financial inspection in 2021/2022, a new Law on Financial Inspection in the Public Sector will be adopted, as well as bylaws and other acts (methodological tools, procedures/ operational instructions/ guidelines), and a new concept of licensing of the financial inspector will be established.

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### Institutional framework

In 2020, in accordance with the "Policy for Internal Financial Control in the Public Sector" and in cooperation with a Twinning project, the procedure for conducting an exam for obtaining a licence for the financial inspector will be operationalised with the development and establishment of a concept for obtaining a licence for the financial inspector (training, curriculum and examination programme/ guidelines), including preparation of a programme and organisation of an examination for the certification of the financial inspectors. In addition, three pilots financial inspections will be conducted based on the new legal framework and methodological tools.

### Strengthening the institutional capacity of the Ministry of Finance

In 2021-2022, activities will be implemented to strengthen the administrative capacity of the Financial Inspection in the public sector and of AFCOS.

## Medium-term priorities

In 2023-2025, several measures will be implemented in order to strengthen the financial inspection. A Plan and Programme for continuous training of the employees of the Sector for Financial Inspection in the Public Sector will be prepared, for each year. Continuity will be ensured in the procedure for conducting an exam for obtaining a licence for the financial inspector. Full and consistent application of analytical and inspection techniques and tools for financial inspection in the public sector in practice will be ensured and statistical data for monitoring, measurement and evaluation of the effectiveness of financial inspection in the public sector will be collected and processed, according to the new methodological tools. The administrative capacity in the Sector for Financial Inspection in the Public Sector will be strengthened.

## Foreign aid

The activities of the financial inspection will be realised within component 2 of the Twinning Project "Strengthening the functions of budget planning, execution and internal control" - Strengthening the system of public internal financial control through the implementation of the PIFC Policy.

# STATE (EXTERNAL) AUDIT

## Current situation

The implementation of the Strategy for the Development of the State Audit Office (SAO) 2018-2022 and the IT Strategy of the SAO 2018-2022 continued. During 2020, the SAO undertook specific activities to improve the strategic approach to operations and adopted the Communication Strategy 2020-2023, Risk Management Strategy 2020-2023, Risk Register as well as Human Resource Management Strategy 2020-2023. In July 2020, the SAO adopted Guidelines for strategic and annual planning of audits, and in November it adopted a Decision on setting strategic objectives for SAO audits for 2021-2023, as well as for priority areas for audits by sectors doing an audit, as a basis for the preparation of the Strategic Plan of the SAO for 2021-2023. In November 2020, the SAO adopted a new Rulebook on the manner of performing the state audit which covers all phases of the audit (planning, execution, reporting on the performed audit and monitoring of the follow-up measures taken in accordance with the recommendations contained in the final

report). In order to improve the quality of external audit, the SAO signed a Memorandum of Cooperation with the Geological Survey in February 2020, and in July with the Institute of Certified Auditors.

In order to improve the quality of audits and strengthen the institutional capacity of the SAO, new acts for internal organisation and systematisation of jobs were adopted in September 2020. The number of officers increased in 2020 and is 89.

Due to the challenges posed by the coronavirus pandemic, the SAO included the two audits in the Annual Programme for 2020 related to the award of public procurement contracts, conducted for prevention and protection from the pandemic.

The use of audit management software facilitated the execution of the audits, improved their quality and oversight, and monitored the implementation of the recommendations contained in the audit reports. The performed analysis of the situation with information technology in the audit and of the SAO processes indicated the need for procurement of appropriate information equipment and software applications as well as licences necessary for quality and timely implementation of audits. So far, the SAO has used computer-assisted auditing techniques i.e. holds six licences for IDEA data analysis software. The procedure for procurement of two new IDEA software licences with better data analysis functionalities is underway. In 2020, additional fifteen licences for office software (MS OfficePlus 2019) were procured as well as 4 MS Visio 2019 licence and one CorelDRAW 2020 licence used in the process of audit and in the visualisation of the audit results.

The Communication Strategy of the State Audit Office for 2020 - 2023, which defines the manner of communication with stakeholders and provision of increased access to information generated by the SAO, serves as a basis for undertaking activities for improved communication with stakeholders (journalists, media, Internet portals, daily newspapers, weekly magazines, NGOs and other investigative laboratories/ investigative journalists). To make the results of the audits conducted by SAO more accessible for the stakeholders, a new website was promoted<sup>62</sup>. At the same time, the stakeholder base has grown (currently over 180) so this is the number of stakeholders that receive the Final Audit Report (FAR) simultaneously. To facilitate the understanding of the final audit reports, an Abstract was introduced in the content section which provides summarised key information about the audited entity, identified the situation, given audit opinion (according to the traffic light principle), key recommendations, identified system weaknesses, etc.

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## Short-term priorities

### Legal framework

The activities for the promotion of the cooperation between the SAO and the Parliament will continue, in accordance with the Memorandum of Cooperation and the activities supported by the IPA Twinning Project "Improving the external audit and Parliamentary oversight" aimed at finding a formal mechanism for reviewing individual audit reports. This will contribute to greater transparency and accountability in the use of public funds, as well as taking measures to implement the recommendations of the audit reports.

Efforts will be made to improve the legal framework in order to strengthen the SAO's constitutional, financial and operational independence. A new Law on State Audit will be prepared and proposed, which will be harmonised with the International Standards of the VRI and the internationally accepted practice. At the same time, there will be a review of the methodological acts and the manner of writing of the audit reports and their communication with the competent institutions.

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## Medium-term priorities

The operational, administrative and functional capacities of the SAO will be strengthened in the period 2023-2025. The implementation of the Twinning Project for strengthening the legal framework and achieving efficient and continuous development of the institutional capacities for state audit will continue, including the Parliamentary oversight of the audited entities.

In order to ensure the proper functioning of the IT infrastructure, the Audit Management System (AMS) and the system for analysis of data from audit reports, the SAO will continuously procure information equipment and shall upgrade the computer hardware that will be used for auditing, including the software applications for auditing management and analysis of data generated from the financial statements.

### Programmes and projects

The implementation of the recommendations for improving the audit processes and institutional capacities of the SAO, as well as for strengthening of cooperation with the Parliament will be the basis of the Twinning Project "Strengthening external audit and Parliamentary oversight", funded by EU funds through the IPA 2018 programme, in the amount of EUR 1.5 million. The project

will start in 2021 and will be implemented for 24 months, in cooperation with the VRI of Croatia and Bulgaria. The project will focus on the procedure for regulating the constitutionality of the SAO, strengthening its financial and operational independence, as well as establishing a regular and efficient mechanism for reviewing audit reports by the Parliament, in line with the European practice. With the support of the Government of the United Kingdom and in cooperation with the Westminster Foundation for Democracy (WFD) and Research Institute - RESIS, a new project will be carried out for implementation of the Communication Strategy of the State Audit Office for 2020 - 2023. The focus is on strengthening cooperation with the media, journalists and other stakeholders, and workshops will be conducted in order to build the communication skills of the auditors.

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# PROTECTION OF THE FINANCIAL INTERESTS OF THE EUROPEAN UNION

## Current situation

In accordance with the National Anti-Fraud Strategy for the Protection of the European Union Financial Interests 2019-2022, activities are currently being implemented to improve the legal, institutional and operational framework for the protection of the EU financial interests by the relevant institutions. An analysis of national legal acts and their compliance with Directive 2017/1371 on the fight against fraud in relation to the financial interests of the Union by applying criminal law has been carried out. According to the findings, draft amendments to the Criminal Code have been prepared. The Report from the assessment as well as the draft amendments to the Criminal Code were submitted for consultation to the Ministry of Justice. The Annual Report on the work of the financial inspection in the public sector and the implementation of the National Anti-Fraud Strategy for Protection of the European Union Financial Interests in 2019 was prepared and was adopted by the Government. An assessment was made on the implementation of the Action Plan for the implementation of the National Anti-Fraud Strategy and a revised Action Plan for 2020-2021 was prepared. Activities for preparation of the draft Decision for the establishment of the AFCOS network are in progress, as well as for the preparation of the Decree for the establishment of an institutional framework for the protection of the financial interests of the EU. The administrative capacities of the Unit for Fight against Irregularities and Fraud of EU Funds - AFCOS have been strengthened. During 2020, AFCOS undertook activities to facilitate effective cooperation and exchange of information between the institutions regarding the reported irregularities, as well as coordination of activities to improve the system for the protection of the financial interests of the European Union. Assistance/support is provided to the persons hired by OLAF during the on-site control in the country. About reporting irregularities and fraud, the national structures report regularly to the EC on irregularities or suspected fraud, this has been the subject of a primary administrative or judicial finding.

The Unit for Fight against Irregularities and Fraud of EU Funds (AFCOS) is fully operational in 2020 and coordinates the entire process of implementing the Strategy. It participates in quarterly meetings on irregularities with the IPA implementation structure,



monitors the reported cases of irregularities, coordinates the ongoing activities with OLAF and with the national structures and does other activities related to the protection of EU financial interests.

## Short-term priorities

### Legal framework

In 2021-2022, AFCOS will continue with the implementation of the Action Plan for the implementation of the National Anti-Fraud Strategy for Protection of the European Union Financial Interests. More specifically, procedures for the operation of AFCOS will be prepared, a Decision on the establishment of the AFCOS network will also be adopted, as well as a Decree on the establishment of an institutional framework for the protection of the EU financial interests. The National Anti-Fraud Strategy for Protection of the European Union Financial Interests in the Country 2021 - 2024 will be revised. The existing laws will be harmonised with the Directive 2017/1371 on the fight against fraud in relation to the financial interests of the Union by applying criminal law. Training will be provided for the national institutions participating in the protection from fraud in relation to EU funds and the cooperation between AFCOS and the national control/ oversight bodies will be strengthened, including the cooperation with OLAF/EC. The legal and institutional system for the protection of the national and EU financial interests will be strengthened, as well as the capacities for fraud risk assessment by preparing Guidelines for fraud risk assessment, training for the staff in the executive bodies for the auditors in relation to the risk of fraud and establishment of anti-fraud measures, in accordance with the annual fraud risk assessment.

### Institutional framework

Activities will be carried out in 2021 to improve the administrative capacity of AFCOS.

## Medium-term priorities

An overview of the results achieved from the implementation of the National Anti-Fraud Strategy for Protection of the European Union

Financial Interests 2021 - 2024 will be carried out in the period 2023-2025. During this period, the priority will be the revision of the National Anti-Fraud Strategy for Protection of the European Union Financial Interests 2023 - 2026; preparation of an Annual Report on lessons to be learned from cases of suspected fraud and irregularities detected/reported at the national level, organisation of a round table for the presentation of this document and awareness-raising on the protection of the national and financial interests of the EU.

## Institutional framework

For further strengthening the institutional capacities of AFCOS, a comprehensive analysis of the workload will be performed and the need for additional employments will be determined accordingly.

## Foreign aid

In February 2020, the implementation of IPA Twinning Project "Strengthening the functions of budget planning, execution and internal control" has started. Component 4 on "Improved system for the protection of EU financial interests through effective implementation of the National Anti-Fraud Strategy for Protection of the European Union Financial Interests" provides support for the implementation of the activities included in the Action Plan for the implementation of the Strategy, as well as for the operation of AFCOS.

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# AUDIT OF IPA FUNDS

## Current situation

During 2020, the IPA Audit Body continued to carry out its activities for the programming period 2007-2013 in accordance with IPA Regulation 718/2007 and the Framework Agreement concluded between the Republic of North Macedonia and the European Commission within the IPA, in relation to the programming period 2014-2020 (IPA II) in accordance with IPA Regulation 447/2014 and the Framework Agreement within the implementation of assistance under the Instrument for Pre-Accession Assistance (IPA II).

Systematic audits for IPA II, audits of operations for IPA I and II, audit of IPA II accounts, monitoring of open findings, audit of closure of IPA I programmes, horizontal thematic systematic audit of the efficiency of human resource management in the IPA structure as well as an audit for verification of the follow-up controls implemented by AFSARD were all carried out for projects implemented with the IPARD 1 programme i.e. verification whether the investment projects are still acceptable and have not undergone significant modifications within five years of the final payment by AFSARD.

A thematic systematic horizontal audit is underway on the level of absorption of IPA funds in the areas of *policy reform in preparation for membership in the Union and institution and capacity building, socio-economic and regional development and employment, social policies, education, promotion of gender equality and human resource development as well as agriculture and rural development*.

By 15 March 2020, in accordance with the IPA II regulation, Annual Audit Opinions and Annual Reports on Audit Activity for 2019 for the programmes in the policy area 1 - Reforms in preparation for membership in the Union and institutional and capacity building, policy area 2 - Socio-economic and regional development, policy area 3 - Employment, social policies, education, promotion of gender equality and human resource development were submitted to the European Commission - DG NEAR, the Government and a copy to NIPAK and NAO. For policy area 4 - Agriculture and Rural Development, with prior approval from DG AGRI, Annual Audit Opinions and Annual Reports on Audit Activity for Policy Programmes 4 were submitted on 1 April 2020, Summary Audit Report on verification of the operation of the system of conducting follow-up controls in AFSARD for projects funded by IPARD 1; and Audit Report and Audit Opinion on the completeness and accuracy of the financial report on debts and projects financed by IPARD 1 were submitted to the European Commission - DG AGRI, the Government and a copy to NIPAK and NAO. For policy area 5 -

Regional and Territorial Cooperation, an Annual Audit Report has been issued by the responsible audit bodies in Bulgaria, Serbia and Greece.

Within IPA I, the audit of the closure of NP 2012 was completed and the Final Audit Report as well as Final Audit Opinion for NP 2012 were issued in the period April-July 2020, including amendments thereto, and were submitted to DG NEAR and the Competent Accreditation Coordinator.

**In June and July 2020, taking into account the coronavirus situation, the IPA Audit Body did changes and amendments to the three-year audit strategies 2020-2022** for audit of programmes in the policy area 1 - Reforms in preparation for membership in the Union and institution and capacity building, policy area 2 - Socio-economic and regional development, policy area 3 - Employment, social policies, education, promotion of gender equality and human resources development and policy area 4 - Agriculture and Rural Development (IPARD II), to change the deadlines and align previously planned audits with the risks arising from the new situation. **The changes are aimed at reassessing the risks and adjusting the audit activities and timelines to the new situation.**

Within the legally established deadline of 30 November 2020, the three-year audit strategies for the period 2021-2023 in accordance with the IPA II regulation were updated and adopted and were submitted to DG NEAR, DG AGRI and NAO.

In order to continuously maintain the functional and operational independence of the Audit Body in performing an audit of the functioning of the accredited systems for management and control of IPA funds, the Strategic Plan of the Audit Body for 2020-2022 was adopted in January 2020, and the proposed Strategic Plan of the Audit Body 2021-2023 was adopted in July 2020.

A Draft Strategy for Human Resources Management and a Draft Strategy for Communication have been prepared, through which the capacities in the institution will be strengthened, including the development of the communication system, in order to more effectively achieve the strategic determinations and objectives of the Audit Body. They are planned to be adopted by the end of May 2021.

## Institutional framework

In 2020, 1 new employment was realised, so that the number of employees in the Audit Body, as of November 2020, is 30. Further strengthening of the capacities in the Audit Body will be achieved through the promotion of the employees.

## Short-term priorities

During 2021 and 2022, the Audit Body will continue to implement the activities of the three-year audit strategies and ensure a high level of competence and effectiveness in performing audits in accordance with the rules and regulations of the European Union and relevant internationally accepted auditing standards.

The audits in the following period will be aimed at the completeness, accuracy and reliability of the annual financial statements; efficient and effective functioning of the management, control and supervision systems; as well as legality and regularity of the actual transactions.

The audit opinions will relate to the reliability of the annual financial statements or annual accounts, as well as the legality and regularity of the expenditures, including the operation of the management and control systems.

Further strengthening of the operational capacities and ensuring functional independence of the Audit Body will be implemented. A new Law on Audit of EU-funded Programmes will be adopted following the IPA III regulation and also following the changes and amendments to the Law on Administrative Servants and the Law on Employees in the Public Sector. Additionally, the competencies of the Audit Body will be adjusted in accordance with the requirements of the new IPA III regulation.

## Institutional framework

Further strengthening of the institutional capacities and staffing of the Audit Body will be carried out.

## Medium-term priorities

Audit software will be introduced to improve the process of performing audits and increase the operational efficiency of the Audit Body. The administrative capacity of the Audit Body will be further strengthened.

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# PROTECTING THE EURO AGAINST COUNTERFEITING

## Current situation

In the period from 1 January to 31 October 2020, a total of 98 counterfeit euro banknotes in various denominations were registered, which is a slight decrease compared to previous years. In November 2019, the National Bank signed an Administrative Cooperation Agreement with the EC Directorate-General for Economic and Financial Affairs, formalising cooperation in the field of protection of euro coins against counterfeiting and the exchange of technical, statistical and administrative information in connection with counterfeit euro coins, technical assistance and training.

In October 2020, the National Bank concluded a Cooperation Agreement with the European Central Bank (ECB) to protect euro banknotes from counterfeiting. This cooperation enables the National Bank to further contribute to tackling euro counterfeiting, as a central bank who is the partner of the ECB. To further improve the process of exchange information on registered counterfeit money in real-time through online access, the National Bank upgraded the platform for providing this service to authorised persons from the Ministry of Interior.

## Short-term priorities

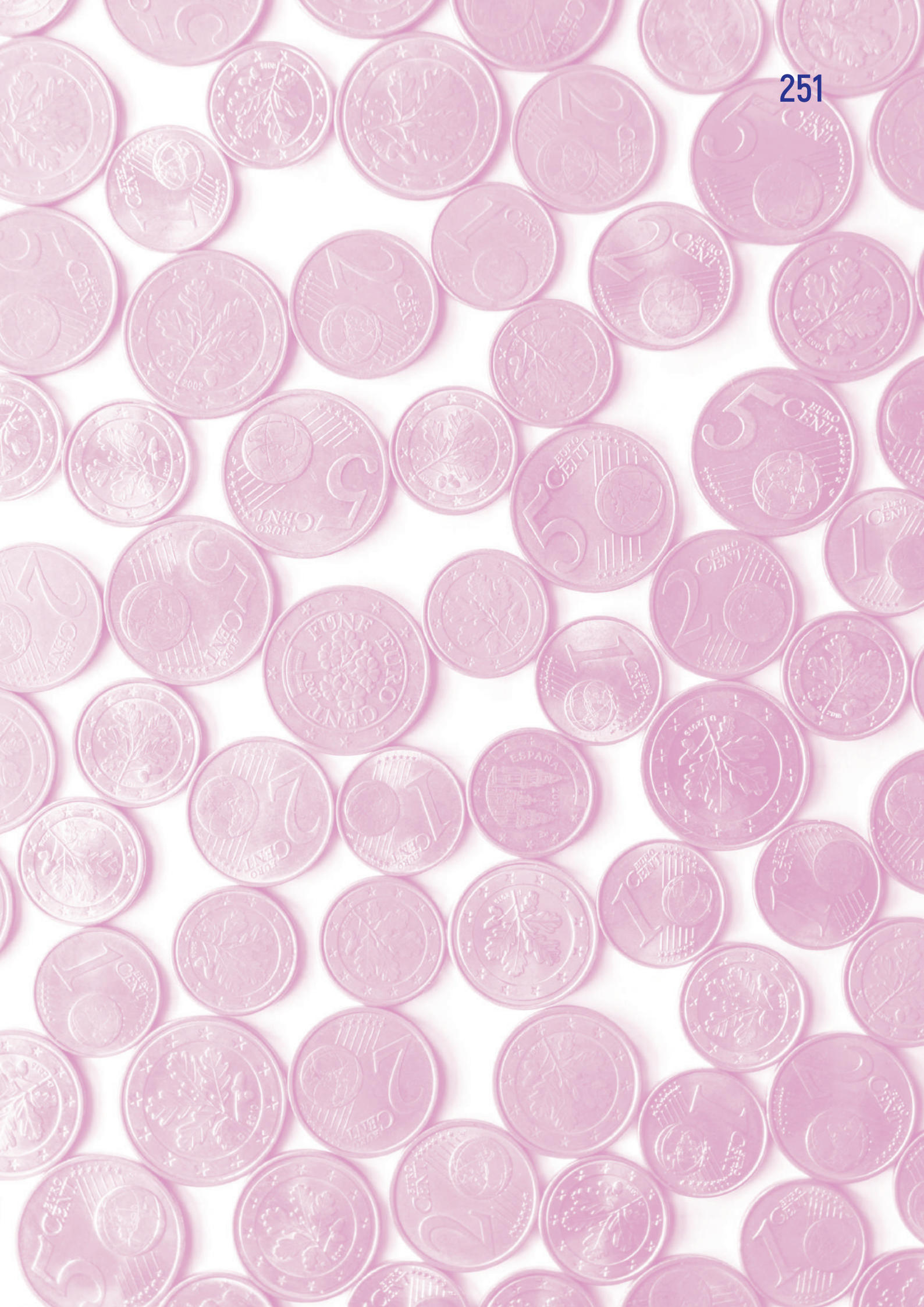
The revision of the Standard Operating Procedure of the Central Office for Investigation in the field of Money Counterfeiting and Investigation of Money Counterfeiting will be completed. Activities in the "Pericles 2020" programme will continue. The trainings will also continue, in accordance with the National Training Plan adopted within a twinning project, within which experts from the National Bank provide regular trainings for police officers, as well as for experts from other institutions involved in investigations related to money counterfeiting.

The National Bank will continue to conduct intensive training for all employees of financial institutions (banks, money centres) for faster, safer and more efficient detection of suspicious banknotes and coins, when appropriate conditions are created, given the pandemic situation and the preventive measures related to it. The Ministry of Interior will prepare a technical solution for the realisation of the project for electronic inter-institutional connection with the National Bank.

## Medium-term priorities

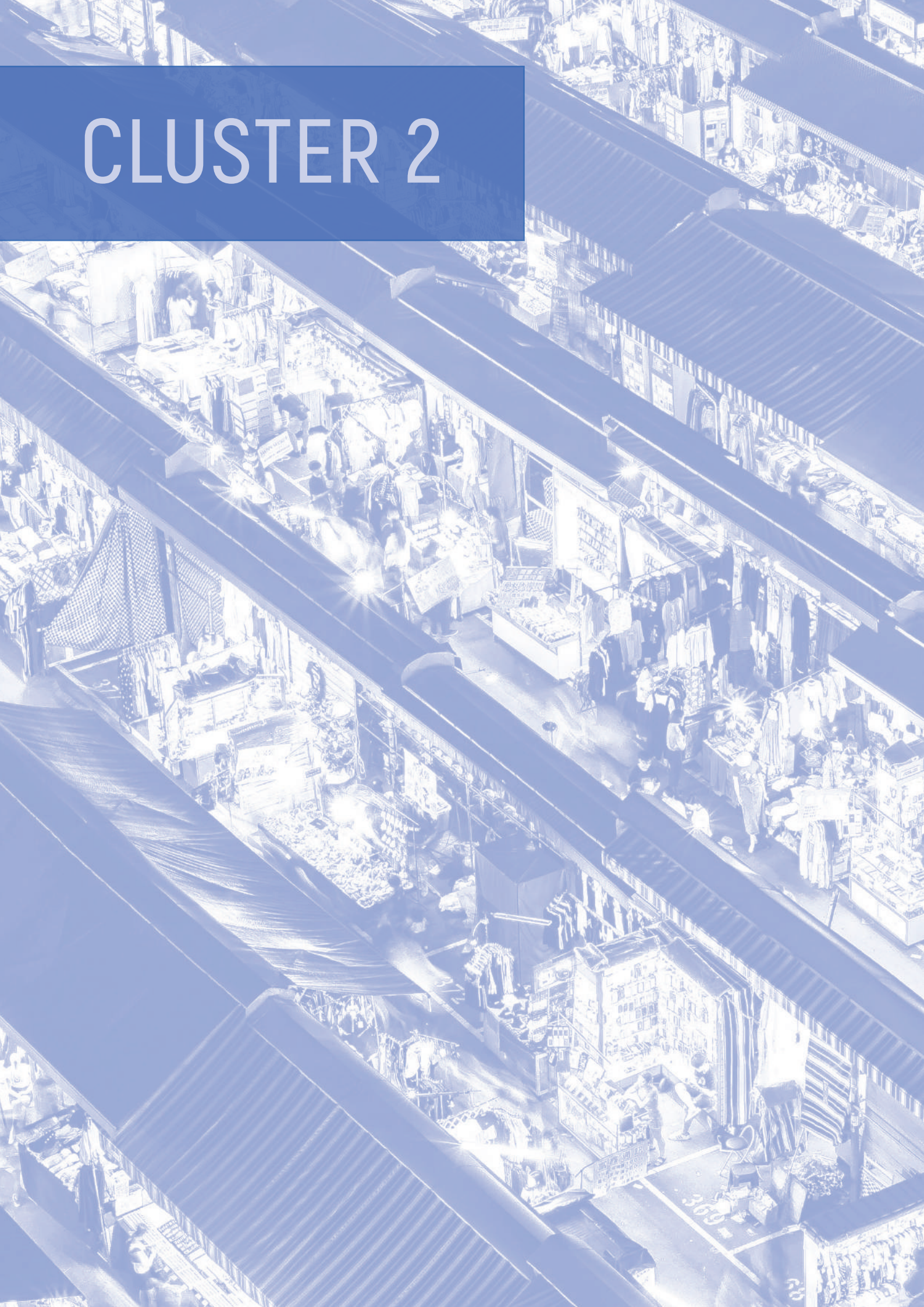
In the period 2023 – 2025, the central office for money laundering investigations will commence the electronic connection of the database with other institutions involved in the fight against euro counterfeiting.







# CLUSTER 2





# INTERNAL MARKET

An aerial, high-angle photograph of a bustling outdoor market, likely in an Asian city. The market is filled with numerous stalls and vendors, many of whom are wearing traditional conical hats. The stalls are densely packed, and the overall scene is one of intense activity. The image is overlaid with a semi-transparent blue filter. A dark blue rectangular block is positioned on the right side of the image, partially overlapping the market scene.

The planned short-term and medium-term priorities in the **Internal Market Cluster** are closely linked and important for improving the legal and institutional framework and addressing the challenges arising from the access to the EU internal market. This cluster covers the reforms related to the four fundamental freedoms, including the obligations from SAA - Phase 2, intellectual property rules, public health and consumer protection, company law, financial services and competition policy. Adjustments in this context are particularly important for removing barriers and for providing conditions for economic development and strengthening of our companies so they are able to cope with the pressure and to be competitive in the EU market.

The Internal Market cluster covers chapters: **01, 02, 03, 04, 06, 07, 08, 09, 28**, with a range of strategies and legislative reforms including: Action Plan for compliance with Articles 34-36 of the Treaty on the Functioning of the European Union (TFEU), the Action Plan for harmonisation with the Law on Services, and improvement of the functionalities of the e-Services Portal. Systemic laws will be drafted or amended in order to be harmonised with the new EU legislation, such as the Law on the Recognition of Professional Qualifications, the Law on Payment Services and Payment Systems, the Law on Prevention of Money Laundering and Financing of Terrorism, the Law on Trade Companies, the Law on Copyright and Related Rights, the Law on Industrial Property, the Law on State Aid Control, the Law on Protection of Competition, banking legislation and insurance, the Law on Consumer Protection, as well as the reform laws in the field of public health, strengthening the health sector and protection of the population. Roadmaps and strategies are also being prepared in individual chapters, as well as bylaws that will implement the already harmonised legislation.

The Internal Market Cluster is directly linked to the **Fundamentals** Cluster - democratic institutions and economic governance, but also all other clusters: Competitiveness and inclusive growth, Green agenda and sustainable connectivity, Agriculture, resources, and cohesion, and External Relations.

The priorities of the Internal Market cluster are related to the **strategic priorities** of the Government in terms of accelerated and sustainable economic growth, higher standard and quality of life, creation of modern and efficient administration, digitalisation and efficient management of the COVID-19 pandemic consequences.

The priorities are also related to certain **PER** measures, such as the development of service sector, education and skills (services, qualifications system), business environment and reduction of the informal economy and trade-related reforms.

In terms of the Instrument for Pre-Accession Assistance (**IPA- 3**), the reforms are related to SP2: Good Governance, the acquis, good neighbourly relations and strategic communication, and SP5: Territorial and cross-border cooperation.

The **UN Sustainable Development Goals (SDGs)** for poverty and hunger reduction, job development, sustainable consumption and products, quality health services and education available to all are also addressed through this cluster reform.

In terms of planned **financial resources**, about EUR 450 million from the national Budget and about EUR 20 million from IPA and other donor assistance for the next five years (including loans) are envisaged for the reforms in this cluster.

# FREE MOVEMENT OF GOODS

## Findings and recommendations from the EC 2020 Report

North Macedonia is **moderately prepared** on the free movement of goods. National legislation to allow that products must be traded freely is well established and mostly following the EU legislation. There was **no progress** on last year's recommendations. Non-tariff barriers to trade remain and have not been removed yet and market surveillance capacity remains insufficient. Last year's recommendations remain valid. In the coming year, North Macedonia should:

- ▶ intensify efforts to remove non-tariff barriers to trade;
  - ▶ complete alignment with the General Products Safety Directive;
  - ▶ strengthen the administrative capacity to enforce the legal framework.
-



# Summary

In 2021, a Law on Technical Requirements for Products and Conformity Assessment will be adopted in accordance with Decision 2008/768/EC. Eleven new rulebooks harmonised with the Directives from the New Approach to the EU product legislation will be adopted.

By 2023, the Action Plan for Compliance with Articles 34-36 of the Treaty on the Functioning of the EU (TFEU) will be fully implemented, by launching the exclusive application of the Eurocodes (the nine remaining measures), the alignment with EURES standards will continue as well as the preparation for coordination of the social security systems.

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# GENERAL PRINCIPLES

## Current situation

On 26 December 2020, the new Law on General Product Safety entered into force, in line with Directive 2001/95/EC on general product safety.

In order to implement the remaining nine measures of the Action Plan for compliance with Articles 34-36 of the Treaty on the Functioning of the EU (TFEU), on 2 September 2020 the Ministry of Transport and Communications adopted a Rulebook Amending the Rulebook on standards and norms for design (Official Gazette No. 211/2020) which prescribes the application of the adopted European standards for the design of building structures (EN 1990-EN 1999) - Eurocodes.

## Short-term priorities

The Ministry of Transport and Communications will continue to take action towards the full implementation of the Action Plan for compliance with Articles 34-36 of the Treaty on the Functioning of the EU (TFEU) in order to exclusively apply the Eurocodes.

## Medium-term priorities

On 1 September 2023, after conducting the necessary education of the engineering staff in the Republic of North Macedonia, the mandatory application of the Eurocodes will begin. This will achieve full implementation of the Action Plan for compliance with Articles 34-36 of the TFEU.

Regulation (EU) 2019/515 on mutual recognition of goods lawfully marketed in another Member State will be transposed into a Regulation laying down the procedures for application of certain national technical rules to products labelled in another EU Member State.

# HORIZONTAL MEASURES

## STANDARDISATION

### Current situation

The total number of European standards adopted as Macedonian standards is approximately 21,162, which is 98% of the total number of the European standards. All adopted European standards are notified in CEN/CENELEC and ETSI.

In the period November 2019 - October 2020, the Institute for Standardisation of the Republic of North Macedonia (IS MK) withdrew 471 conflicting standards and standardisation documents.

All adopted national standards shall be notified to the European standardisation bodies as well as to the CEFTA countries in accordance with Article 13.3 (b) of the CEFTA Agreement.

IS MK has completed the entire process of adopting the National Annexes for the Eurocodes and they are publicly available. The set of Eurocode standards adopted by the endorsement method, together with the National Annexes, is integrated by the Ministry of Transport and Communications into the Rulebook Amending the Rulebook on standards and norms on design (Official Gazette No. 211/2020).

In accordance with the active cooperation and in order to fully harmonise with the internal rules of the European bodies for standardisation, IS MK adopted the second edition of the Statute, Rules of Procedure of the Council and Rules of Procedure of the Assembly of the IS MK. Consequently, IS MK adopted the necessary regulations, procedures and guidelines related to the process of preparation and adoption of Macedonian standards, establishment and operation of technical committees and protection of intellectual property in the field of standardisation.

## Quality management system

In November 2020, an external inspection of IS MK was performed by a certification body, after which the Institute obtained a certificate confirming the application of the quality management system in accordance with the requirements of the MKS EN ISO 9001:2015 standard.

## Short-term priorities

- establishment of a certification body in accordance with the new standard MKS EN ISO/IEC 17021-1:2015 for ISO 9001:2015 and performing activities for certification of quality management systems in various companies;
- translation into Macedonian of the European standards from the directives of the New Approach;
- maintenance of the existing IT equipment and procurement of new equipment, procurement of licensed operating systems and programs; and
- implementation of trainings according to standards in various areas, depending on the interest of the interested parties (MKS EN ISO 9001, MKS EN ISO 14001, MKS EN ISO 22000, MKS ISO 45001, MKS EN ISO 15189, human resources management) and trainings on the rules and the practice of European and international standardisation; procedures for preparation, adoption of European, international and Macedonian standards.

## Medium-term priorities

- maintaining a stable and efficient system of standardisation in accordance with the Macedonian national interests and European and international rules;
- continuity in the realisation of trainings for standards in various areas, depending on the interest of the interested parties;
- maintenance and upgrading of the existing IT infrastructure;
- performing certification services by IS MK as a certification body according to the MKS EN ISO 9001:2015 standard.

## Programmes and projects

IS MK is a signatory of the FPA (Framework partnership agreement) with the European Commission for projects related to standardisation. The project for translation of harmonised European standards and standardisation documents CEN/CENELEC 2017/2018 and the project for "Involvement of several standardisation bodies and national environmental organisations in standardisation from the aspect of environment 2017-2021" are in progress.

## ACCREDITATION

### Current situation

The Accreditation Institute of the Republic of North Macedonia (IA MK) within its operation regularly performs accreditation of conformity assessment bodies, but also conducts regular annual supervision of all awarded accreditation certificates. Due to the situation caused by the COVID-19 virus, some of the regular activities take place with remote assessment, in accordance with the adopted Protocol for remote assessment during the COVID-19 pandemic. Licensed software has been procured for that purpose. The number of interested bodies is constantly growing.

In 2020, the International Accreditation Forum signed the extension of the IA MK (IAF – MLA Multilateral Agreement) for accreditation of bodies for certification of management systems for safety and health at work, for the following sub-scope: Level 4: ISO/IEC TS 17021 -10 and sub-scope: Level 5: ISO 45001. In 2020, in accordance with the decision of the Council for Multilateral Agreement of EA (EA MAC), IA MK successfully made the transition from ISO/IEC 17011:2004 to ISO/IEC 17011:2017, based on the results of the review of documents (option B) from the self-evaluation report of IA MK, as well as based on a proposal of the Management Group of EA MAC.

### Short-term priorities

- Increasing the institutional and resource capacity of IA MK by:
  - o increasing the number of technical assessors and experts, as well as upgrading the competencies of

- o the assessors and employees in IA MK;
- o realisation of trainings for assessors, leading assessors, potential clients and for new accreditation schemes;
- o realisation of harmonisation with the assessors of IA MK, and
- o strengthening the capacities of the technical committees of IA MK;
- participation in the work of the committees of the European Accreditation Organisation (EA), the International Cooperation for Accreditation of Laboratories (ILAC) and the International Accreditation Forum;
- cooperation with accreditation bodies from the region;
- promotion of the accreditation system, as well as promotion of the services of the conformity assessment bodies accredited by IA MK by organising promotional events, workshops and publishing of publications, and
- strengthening the cooperation with the Ministries in the field of authorisation of conformity assessment bodies and provision of technical support for all issues related to accreditation.

## Medium-term priorities

- Development of new accreditation schemes, in accordance with user requirements and regulatory requirements, including schemes for accreditation of service providers for proficiency testing in accordance with EN ISO/IEC 17043 and accreditation of certification bodies for personnel in accordance with EN ISO/IEC 17024, if there is interest from the interested parties (IA MK does have trained staff in the stated standards, and if there is interest there is a basis to develop the accreditation schemes);
- expanding accreditation activities in new areas;
- increasing the institutional and resource capacity of IA MK;
- increasing the number of accredited Macedonian conformity assessment bodies, which will be present on the domestic and international markets;
- increasing the number of domestic technical assessors and experts; and
- assessors' trainings, as well as trainings intended for potential clients.

# METROLOGY

## Current situation

The Bureau of Metrology received accreditation from a mobile laboratory for testing the quality of oil and oil derivatives. Testing methods used in the examination of the quality of oil and oil derivatives were accredited, in order to protect the environment and protect consumers.

In accordance with the transposition obligations of the Measuring Instruments Directive 2014/32 and the Non-automatic Weighing Instruments Directive 2014/31, the Bureau of Metrology prepared, at the national level, a draft Rulebook on Measuring Instruments and a Draft Rulebook on non-automatic weighing instruments, which, together with the appropriate correspondent tables, were submitted for opinion to the European Commission, through the Secretariat for European Affairs.

In terms of activities in regional and international organisations, participation in international projects, as well as technical assistance projects, the following has been realised:

- Peer review mission by EURAMET experts within which the Quality Management System was supervised, implemented in the Bureau of Metrology and the application of MKS ISO/IEC 17025:2018;
- Within the IPA project for strengthening the internal market, funds for procurement of equipment and technical assistance in the form of trainings were approved. A tender procedure was conducted for equipping the mass laboratory and the dimension laboratory, procurement of equipment for establishing a new laboratory for production and certification of ethanol reference solutions, as well as equipment for checking the ethyl meters, as measures that are within a legal metrology and for which verification is mandatory; and
- Within the regional project for technical assistance (QI SEE - PTB), the Bureau of Metrology participates in two projects for:
  - o control of medical devices with measuring function, in order to develop a metrological structure in this area and fulfil the provisions of the Law on Metrology in order to maintain the health; and
  - o capacity building for organisation of interlaboratory



comparisons (ILC) and proficiency tests (PT), in order to support the laboratories in their accreditation procedures

## Short-term priorities

Directive 2014/32/EU on Measuring Instruments will be transposed into a Rulebook on measuring instruments;

- The Non-automatic Weighing Instruments Directive 2014/31 will be transposed into a Rulebook on non-automatic weighing instruments;
- Harmonisation of national bylaws with international normative documents.
- Institutional development and raising public awareness of the importance of metrology through:
  - o trainings for employees organised at regional level within IPA TAIB 2019, EURAMET, EMPIR and others;
  - o strengthening regional and international cooperation by organising and participating in projects (projects within QI SEE PTB, EMPIR) with metrological institutions in the region and beyond; and
  - o Organising seminars, workshops and meetings with various target groups (state institutions, industry representatives, laboratories) in order to strengthen the metrological infrastructure in the Republic of North Macedonia, familiarise the public with the metrological regulations and support the economy.

## Medium-term priorities

- Proclamation of national standards (etalons) of measurement units;
- Expansion of the scope of accreditation of laboratories in accordance with MKS ISO/IEC 17025:2018; and
- Expansion of the measuring opportunities of the Bureau of Metrology, in terms of metrology in chemistry with regards to preparation of reference solutions used in calibration/verification of measuring instruments, as well as in the field of dimensional sizes.

# CONFORMITY ASSESSMENT (VERIFICATION, CERTIFICATION AND CONTROL)

## Current situation

In 2020, the Minister of Economy, in accordance with the Law on Product Safety, adopted three new decisions for authorisation of legal entities to perform conformity assessment, which are registered in the Register of authorised bodies for conformity assessment. The authorisation decisions are published on the website of the Ministry of Economy. In accordance with the Law on Vehicles, the Minister of Economy adopted a total of eight authorisation decisions, of which two decisions for authorisation of legal entities to perform identification and assessment of the technical condition of vehicles and six decisions for authorisation of technical service for performing vehicle approval, in accordance with the extension of accreditation or re-accreditation of legal entities.

## Short-term priorities

In 2021, a Law on Technical Requirements and Conformity Assessment of Products will be adopted in accordance with Decision 2008/768/EC. Eleven new rulebooks and acts will be adopted that are harmonised with the Directives from the New Approach to the EU legislation on products.

Activities for authorisation of new bodies for conformity assessment and technical services upon request will continue, and accreditation provided by IA MK, in accordance with the Law on Product Safety and the Law on Vehicles. The new authorisations will be part of the functioning of the European Accreditation Association (EA) Agreement on International Recognition of Results (MLA).

## Medium-term priorities

In the medium term, it is planned to increase the number of Macedonian bodies for conformity assessment and their participation in the markets of the MLA signatory countries.

The Ministry of Economy will notify conformity assessment bodies in the European Commission, upon accession to the EU or by concluding a Conformity Assessment and Acceptance Agreement (ACA).

## MARKET SURVEILLANCE

### Current situation

The Coordination Body for Market Surveillance (CBMS) held regular meetings (at least once a month) to implement the measures of the National Programme for Coordination and Undertaking Effective Market Surveillance Measures for 2019-2020.

In addition to the regular inspections performed through the Department for Product Safety in the State Market Inspectorate (SMI), coordinated inspections are performed following a notification received from the Customs Administration during the import of products.

In 2020, the resource capacity of the State Market Inspectorate was strengthened with 10 new vehicles.

On 6 April 2021, the National Programme for Coordination and Undertaking Effective Market Surveillance Measures for 2021 - 2022 entered into force (Official Gazette 79/2021).

### Short-term priorities

- Preparation of an Annual Report on the work of the Coordination Body for Market Surveillance for 2020;
- Increasing the number of inspectors in all inspection departments of the State Market Inspectorate and introduction of inspection software by the Inspection Council in order to improve the supervision procedures; and
- Conducting trainings for the state inspection bodies in cooperation with the business community for appropriate application of the rulebooks and laws for safety of products and construction products related to CE marking and the conformity assessment procedure.

# OLD APPROACH OF THE LEGISLATION ON PRODUCTS VEHICLES

## Current situation

The Ministry of Economy, in the frames of its continuous practice, authorised new legal entities to perform identification and assessment of the technical condition of the vehicles and to perform works from technical service, as well as to perform technical inspection of vehicles.

## Medium-term priorities

The Ministry of Economy will conduct a detailed analysis of the legislation by identifying and clearly designating the non-compliant relevant acquis, after which it will proceed with drafting of a new Law on Vehicles.



## CHEMICALS

### Medium-term priorities

- The List of Restrictions and Prohibitions on the Use of Chemicals and the List of High-Risk Substances of Concern will be updated, in accordance with Regulation (EC) No. 1907/2006 on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH);
- A Rulebook amending the Rulebook on Classification, Labelling and Packaging of Chemicals, harmonised with Regulation (EC) 1272/2008 on Classification, Labelling and Packaging of Substances and Mixtures (CLP) will be adopted; and
- A Law on Biocidal Products will be adopted, harmonised with Regulation (EU) 528/2012 on Placing on the Market and Use of Biocidal Products.

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## FERTILIZER

### Short-term priorities

In 2021, a Law on Plant Nutrition will be adopted, harmonised with Regulation (EU) 2019/1009 laying down rules on the making available on the market of EU fertilising products and amending Regulations (EC) No 1069/2009 and (EC) No 1107/2009 and repealing Regulation (EC) No 2003/2003.

# NEW AND GLOBAL APPROACH OF THE LEGISLATION ON PRODUCTS

## Short-term priorities

- Directive 2014/33/EU will be transposed into a new Rulebook on Making Available on the Market of Lifts and Safety Devices for Lifts;
- Directive 2014/35/EU will be transposed into a new Rulebook on Low Voltage Equipment;
- Directive 2014/29/EU will be transposed into a new Rulebook on Simple Pressure Vessels;
- Directive 2014/30/EU will be transposed into a new Rulebook on Electromagnetic Compatibility;
- Directive 2010/35/EU will be transposed into a Rulebook on Portable Pressure Equipment;
- Regulation 2016/426 will be transposed into a Rulebook on Gas Appliances;
- Directive 2014/34/EU will be transposed into a Rulebook on Equipment and Protective Systems Intended for Use in Potentially Explosive Atmospheres (ATEX);
- Regulation 2016/425 will be transposed into a Rulebook on Making Available on the Market of Personal Protective Equipment;
- Directive 2014/68/EU will be transposed into a Rulebook on Pressure Equipment;
- Directive 2013/53/EU will be transposed into a Rulebook on Essential Requirements for Production, Making Available on the Market and Use of Recreational Craft; and
- Directive 2014/53/EU will be transposed into a Regulation on Radio Equipment.



# PROCEDURAL MEASURES

## Current situation

In accordance with the Decree on the notification procedure of the European Commission for adoption of technical and non-harmonised regulations, technical specifications and standards, IS MK regularly notifies the European Standardisation Body CEN on original national Macedonian standards that have been adopted.

## Medium-term priorities

The Decree on the notification procedure of the European Commission for adoption of technical and non-harmonised regulations, technical specifications and standards will be harmonised with Directive (EU) 2015/1535 establishing a procedure for providing information in the field of technical regulations and rules on information society services.

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## WEAPONS

### Short-term priorities

The following will be adopted:

- Law on Development, Production and Trade in Military Goods with a view to harmonising with the Common Positions of the Council 2003/468/CFSP; and
- Law on Trade and Protection from Explosives for the purpose of compliance with Directive 2008/43/EC, Directive 2012/4/EU, Directive 2013/29/EU, Directive 2014/28/EU and Directive 2014/58/EU.

## TEXTILE

### Medium-term priorities

An amendment to the Rulebook on the procedure for selection of methods for quantitative analysis of two-component raw material for textile fibres is envisaged, in order to achieve harmonisation with the Regulation (EU) 2018/122.

## EXTERNAL BORDER CHECKS

### Current situation

The border control of products entering the market in the Republic of North Macedonia is carried out by organisational units within the Customs Administration that are responsible for control of goods on release for free circulation. The control is performed in accordance with the Law on Product Safety, the Law on Market Surveillance and the Memorandum of Understanding and Cooperation with the market surveillance bodies from 2011, which is an important element in establishing an efficient market surveillance system.

The control includes:

- Checking whether the products are properly labelled in accordance with the harmonised legislation,
- Checking whether the product is marked with an incorrect or false CE marking,
- Checking whether the products are accompanied by written or electronic documentation that is mandatory in accordance with the harmonised legislation, consent issued by the market surveillance body and similar documentation,
- Checking whether the product has the characteristics that give reason to believe that the product, when properly installed, maintained and used, poses a serious risk to health, safety, the environment or any other public interest.

For more efficient coordination of the market surveillance and facilitated exchange of data and information, a Coordination body for market surveillance has been established, in which representatives of 13 institutions cooperate: Customs Administration, State Labour

Inspectorate, State Inspectorate for Technical Inspection, State Sanitary and Health Inspectorate, Food and Veterinary Agency, State Environmental Inspectorate, Agency for Electronic Communications, Customs Administration, Bureau of Medicines, Ministry of Transport and Communications and Ministry of Economy—Internal Market Sector.

### **Short-term/ Medium-term priorities**

The Customs Administration will continuously carry out border controls on products imported from third countries, in accordance with the Law on Product Safety and the Law on Market Surveillance, in cooperation with the market surveillance bodies.

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CE

Date of Despatch:

Serial Number:

1720

X VENT - A Natural Heat and Smoke Exhaust Ventilator  
Glazing Vision Ltd., Saw Mills Road, Diss,  
Norfolk IP22 4NX, UK  
1720-CPD-0037

EN 1210-2:2003

Aa - max 0.6m<sup>2</sup>; W1, F500, SL 125;  
T (-15), Re 50, B300, A1  
Temperature of thermal initiation device 72°C

# FREEDOM OF MOVEMENT FOR WORKERS

## Findings and recommendations from the EC 2020 Report

North Macedonia is at an **early stage** in the field of freedom of movement for workers. **No progress** was made in the reporting period and last year's recommendations still stand. In the coming year, the country should:

- ▶ continue to adapt the legal framework in line with the EU acquis on access to the labour market, in particular regarding non-discrimination on grounds of nationality against EU workers;
  - ▶ take steps in coordinating social security systems to identify which administrative measures would have to be introduced in preparation for future accession.
-

# SUMMARY

In the field of labour market access, the existing legislation in the area of employment and work of foreigners will be analysed, in order to harmonise with the EU legislation. In the next year, the implementation of the recommendations from the previous analyses for harmonisation with EURES standards and harmonisation with EU law in this area will continue. In terms of coordination of social security systems, activities will be identified for preparation of the institutions for accession and coordination of social security systems, as well as initiation and conclusion of bilateral agreements. The institutions will continue to conclude bilateral agreements for the use of the European Health Card.

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# GENERAL PRINCIPLES

## Current situation

The new Law on Foreigners entered into force<sup>63</sup> in which certain clarifications were made in the procedure for issuing a single permit for work and residence to foreigners, in order to further facilitate the procedure in the Ministry of Interior, in which the Employment Service Agency (AV MK) gives an opinion. During the implementation of these legal solutions, equal treatment of foreign workers is still guaranteed by the existing provisions of the Law on Labour Relations.

On 20 April 2021, the Government adopted the draft Law Amending the Law on Employment and Work of Foreigners. The amendments are aimed at resolving the identified weaknesses, primarily to protect the interests of foreigners, as well as the recommendations arising from the business community to improve the situation in this area. The proposed amendments to the Law on Employment and Work of Foreigners enable increased mobility of foreign workers who have already established employment relationship in North Macedonia from one legal entity to another legal entity in the same or higher job position, if it is a job position at the same employer. It also increases the scope of short-term services that are realised in a period of up to 60 days, and which do not require a work permit, by including repair and maintenance services of machines, equipment or assets and services.

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63 Official Gazette No. 97/2018, 108/2019

## Short-term/ Medium-term priorities

An analysis of the legislation in the region covering the area of free movement of workers is planned, and of the existing directives in the area, along with a recommendation for undertaking further legislative activities. According to the recommendations from the analysis, a preparation will be planned of a new Law on Employment and Work of Foreigners or amendments to the Law on Labour Relations.

# EURES

## Current situation

Within the ESAP project of the Regional Cooperation Council (RCC), an analysis of the IT systems of the public employment services from the Western Balkans and their compatibility with the requirements/ conditions arising from EURES was conducted. The Report from the conducted Analysis is expected to be submitted, which will provide a clear picture of the current state of the IT system of ESA MK and the necessary changes in order to achieve its full compatibility for future connection to the EURES network and active participation in it.

## Short-term/ Medium-term priorities

- Conducting analyses of the relevant areas of importance for EURES in the national legislation in order to implement and harmonise with the EURES standards.
  - Detecting the key areas of EURES, identifying the need and defining proposals for the manner of harmonisation/ further harmonisation in order to achieve full implementation of the EU legislation in this area.
  - Organising meetings and other events, and continuous monitoring of changes and innovations in this area, as well as updating and confirming the knowledge acquired through the implemented Twinning project.
-

# COORDINATION OF SOCIAL INSURANCE SYSTEMS

## Current situation

Following harmonisation of the text of the Administrative Agreement for implementation of the Agreement with Hungary on social insurance and social security<sup>64</sup>, as well as the text of the Administrative Agreement for implementation of the Agreement with Romania on social security<sup>65</sup>, agreements for implementation of the bilateral agreements were signed with Hungary and Romania<sup>66</sup>.

According to the bilateral agreements on social insurance, the Ministry of Labour and Social Policy, as a competent body, agreed in 2020 to extend the period of referral of workers from another contracting country to temporary work on the territory of the Republic of North Macedonia for about 17 workers referred from EU Member States.

In January 2020, a new Law was adopted to amend the Law on Pension and Disability Insurance<sup>67</sup>, which provides for the possibility for payment of pension and disability insurance contributions by insured persons who are registered as employees in the records of the Pension and Disability Insurance Fund, but for whom the employer has not paid contributions, and if that employer is bankrupt or deleted from the Central Register.

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64 Official Gazette No. 80/2015

65 Official Gazette No. 59/2006

66 Agreement between the Republic of Macedonia and Hungary on Social Insurance and Social Security Official Gazette No. 80/2015 and Agreement between the Republic of Macedonia and Romania on Social Security Official Gazette No. 59/2006

67 Official Gazette No. 31/2020

## Short-term priorities

- Determining activities with a time limit and with human resources by the Inter-ministerial working group for implementation of activities for preparation of the institutions in the process of accession and coordination of the social security systems.
- Commencement of negotiations for concluding a Social Security Agreement with the Republic of France.
- Initiative to hold expert talks on the implementation of the existing Social Security Convention with the Kingdom of Sweden from 1978.
- Concluding an Agreement on Social Security and an Administrative Agreement for implementation of the Agreement with the Russian Federation.

## Medium-term priorities

- Concluding a Social Security Agreement with the Republic of France.

# EUROPEAN HEALTH INSURANCE CARD

## Current situation

The Health Insurance Fund has signed an Agreement on the use of the European Health Insurance Card (EHIC) on the territory of the Republic of North Macedonia with a total of 9 EU Member States: Slovenia, Bulgaria, Austria, Czech Republic, Luxembourg, Netherlands, Germany, Slovakia and Belgium.

## Short-term priorities

- Concluding an Agreement on the use of EHIC with the Republic of Croatia.
  - Concluding an Agreement on the use of EHIC with the Republic of Hungary.
  - Concluding an Agreement on the use of EHIC with Romania.
  - Initiating negotiations for signing an Agreement for the use of the European Health Insurance Card on the territory of the Republic of North Macedonia with the Republic of Italy.
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# RIGHT OF ESTABLISHMENT AND FREEDOM TO PROVIDE SERVICES

## Findings and recommendations from the EC 2020 Report

North Macedonia is **moderately prepared** on the right of establishment and on the freedom to provide services. **Some progress** was made during the reporting period to revise national legislation in the area of services so that companies and legal persons from North Macedonia and the EU can provide cross-border services. First steps for an easy and direct access to the market for companies were initiated. However, the opening of the postal market was postponed again limiting the provision of quality services to citizens and businesses. More efforts are needed to further align with the EU acquis on recognition of professional qualifications. Last year's recommendations were partly addressed and remain valid. In the coming year, North Macedonia should in particular:

- ▶ continue aligning national legislation with the EU acquis, notably on services and mutual recognition of professional qualifications
- ▶ establish a point of single contact, including for company registration, in line with the Services Directive;
- ▶ continue aligning national legislation with the EU acquis on postal services and complete the liberalisation of the postal market.

## SUMMARY

The revised Action Plan for compliance with the Law on Services/ Services Directive 32006L0123 has been adopted by the Government and is being continuously implemented. By improving the functionalities of the National Portal for e-services as a single point of contact, it is possible to obtain, in one place, all the necessary information about the access procedures and for providing services, as well as for applying, paying and receiving documents electronically.

In the coming period, the Postal Agency will be focused on improving the regulatory framework for postal services, guaranteeing quality and continuous provision of universal service, as well as protection of postal service users – in order to create transparent and equal working conditions in a liberalised market.

The Ministry of Education and Science will prepare a draft *Law on Recognition of Professional Qualifications*, harmonised with Directive 36/2005/EC and its amendments 55/2013/EU, as well as strengthening of the administrative capacities, not only in the institution holder of the area but also in other related institutions that will implement the acts of these laws in the future.

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# RIGHT OF ESTABLISHMENT

## Current situation

In the past period, the activities for harmonisation of the national legislation with the Services Directive 32006L0123 in the part of the right of establishment continued. The identified unjustified requests for the right of establishment with proposed measures and timeframe for their elimination are recorded in the Action Plan for compliance with the Law on Services/ Services Directive. Within the Central Registry, the procedure for connecting the registers through the *Joint Platform for starting a business* project continued. The Joint Platform is a joint organisational set-up and technological integration with standardised data exchange between the Central Registry, the Employment Service Agency and the Public Revenue Office. Activities were also carried out for publishing free data on legal entities on the new web portal of the Central Registry. This project is implemented in support of the Government's Open Data Strategy.

Pursuant to the Economic Reform Programme 2021-2023, the measure for improving the procedures for receiving public services and reducing the time and costs for the business entities and citizens in these procedures continues, by expanding the e-services offer available on the National Portal for e-services. The purpose of the measure is to provide high quality instruments that will enable companies, organisations and citizens to complete administrative procedures easier, faster and at lower costs. The measure is organised in three complementary components, including proposals for necessary legal changes. The first component is digitisation of the basic registers and the development of a registry. Its focus is to identify, digitise and implement e-service related database registers developed in the second component. The focus of the second component is to develop e-services for businesses and citizens and to deploy them on the National e-services Portal. Strengthening the institutional capacity for sustainable digital transformation is the focus of the last component. The National e-services Portal is expected to reduce the administrative and financial burden not only for citizens but also for businesses, which will increase the efficiency of businesses. This will affect the competitiveness not only of small and large companies at the national level, but also regionally and internationally. Among the services that will be developed are e-services addressed in the Services Directive i.e. issuing licenses for business activities required at national and cross-border level, which is expected to

have an impact on the regional competitiveness.

The Law on Services (Official Gazette 98/2019) in which the Services Directive is transposed envisages the National e-services Portal to function as the "Single Contact Point" in the Republic of North Macedonia.

Until 19 April 2021, information on a total of 836 services is available on the portal, of which 151 are electronic services. In addition, 32,402 users are already registered and using these e-services.

## Short-term priorities

The implementation of the Action Plan for harmonisation with the Law on Services/ Services Directive will continue, in order to simplify the administrative procedures and eliminate the unjustified requirements for the right to establish companies in the country.

Priorities for the National Portal for Electronic Services ([uslugi.gov.mk](http://uslugi.gov.mk)):

- Increasing the number of e-services for citizens.
- Enabling legal entities to be users of the e-services available on the Portal.
- Increasing the number of citizens users of the Portal.
- Improving the functionalities in the administrative tool of the National e-services Portal.
- Adoption of Guidelines for service optimisation.

The activities are implemented by MISA in cooperation with other institutions.

## Medium-term priorities

The continuous analysis of the legislation and updating of the Action Plan for harmonisation with the Services Directive/ Law on Services will continue, by registering the unjustified requests for the right to establish companies in the country and taking measures, with a time frame, for their compliance with the Law/ Directive.

Medium-term activities planned for development of the National

e-services Portal (<https://uslugi.gov.mk/>):

- Increasing the number of e-services for citizens and businesses.
  - Increasing the number of users of the Portal.
  - Integration of the Single Login System with the systems of the institutions.
  - Analysis to define needs and to improve the Public Services Catalogue, as part of the administrative tool of the National e-services Portal.
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# FREEDOM TO PROVIDE SERVICES

## Current situation

The Law on Services (Official Gazette No. 98/2019) transposing the Services Directive 32006L0123 contains provisions that will ensure cross-border provision of services following the country's accession to the European Union. Pursuant to Article 35 of the Law, the competent authorities submitted to the Ministry of Economy a list of regulations with provisions for access to, and performance of, service activities, as well as contact persons responsible for the regulations. The list of regulations is continuously updated and contains 97 regulations, of which 41 laws and 56 bylaws. During 2020, the Ministry of Economy, in cooperation with the persons nominated from the competent authorities, conducted a detailed analysis of the compliance of the regulations with the Law/Directive.

As a result of the detailed analysis of the compliance of the national legislation with the Law on Services/ Services Directive, the Action Plan for compliance with the Law on Services was revised. Out of a total of 97 analysed regulations, in 28 were found provisions contrary to the Law/ Directive, of which 22 laws and 6 bylaws.

On 17 November 2020, the Government adopted the new revised Action Plan, whereby the competent institutions were obliged to implement the measures of the Action Plan within the stipulated deadlines. The measures provided for in Annex 2 of the AP are being implemented in order to harmonise the provisions found to be contrary to the Directive.

The competent institutions are required to inform the Ministry of Economy about the implementation status of the measures provided in the AP. According to the information received from the competent institutions, until April 2021:

- An assessment of claims has been carried out in accordance with Article 15 of the Directive and explanations received from the competent institutions on the retention of the requirements
  - Law on Medicinal Products and Medical Devices (Official Gazette 106/07, 245/18) for keeping a condition in Article 81, Paragraph 7 in accordance with Article 15 (2) (a) and 15 (3) of the Directive.
  - Law on Urban Planning (Official Gazette 32/2020) for keeping a condition in Article 81, Paragraph 1 in accordance with Article 15 (2) (d) and 15 (3) of the

Directive.

- Law on Urban Planning (Official Gazette 32/2020) for keeping a condition in Article 81, Paragraph 1 in accordance with Article 15 (2) (d) and 15 (3) of the Directive.
- The draft Law Amending the Law on Introduction of Quality Management System is in Government procedure
- The draft Law Amending the Law on Mineral Resources is in inter-ministerial consultation.
- Prepared and consulted with the Ministry of Economy amendments to the following laws:
  - Industrial Property Law
  - Law on Reproductive Material of Forest Species.

The preparation of the amendments to the Law on Veterinary Health will go along with the preparation of the new Law on Health Protection of Animals, as some provisions will be transferred to the new law. Therefore, the time frame provided in the AP should be postponed. This also refers to the bylaws in this area.

A new Law on Real Estate Cadastre, with bylaws, is being prepared.

## Short-term priorities

The implementation of the revised Action Plan for harmonisation with the Law on Services will continue. The continuous analysis of the legislation and the updating of the Action Plan for harmonisation with the law/ directive will also continue by registering the unjustified requests for the freedom to provide services in the country and taking measures with a time frame for their harmonisation with the law/ directive.

## Medium-term priorities

In the medium term, the implementation of the Law on Services and harmonisation of special regulations in the service sectors with the provisions of the Law will continue, which will ensure cross-border provision of services after the EU accession, in accordance with the provisions of the Services Directive. The continuous analysis of the legislation and the updating of the Action Plan for harmonisation with the Law on Services/ Services Directive will continue.



# POSTAL SERVICES

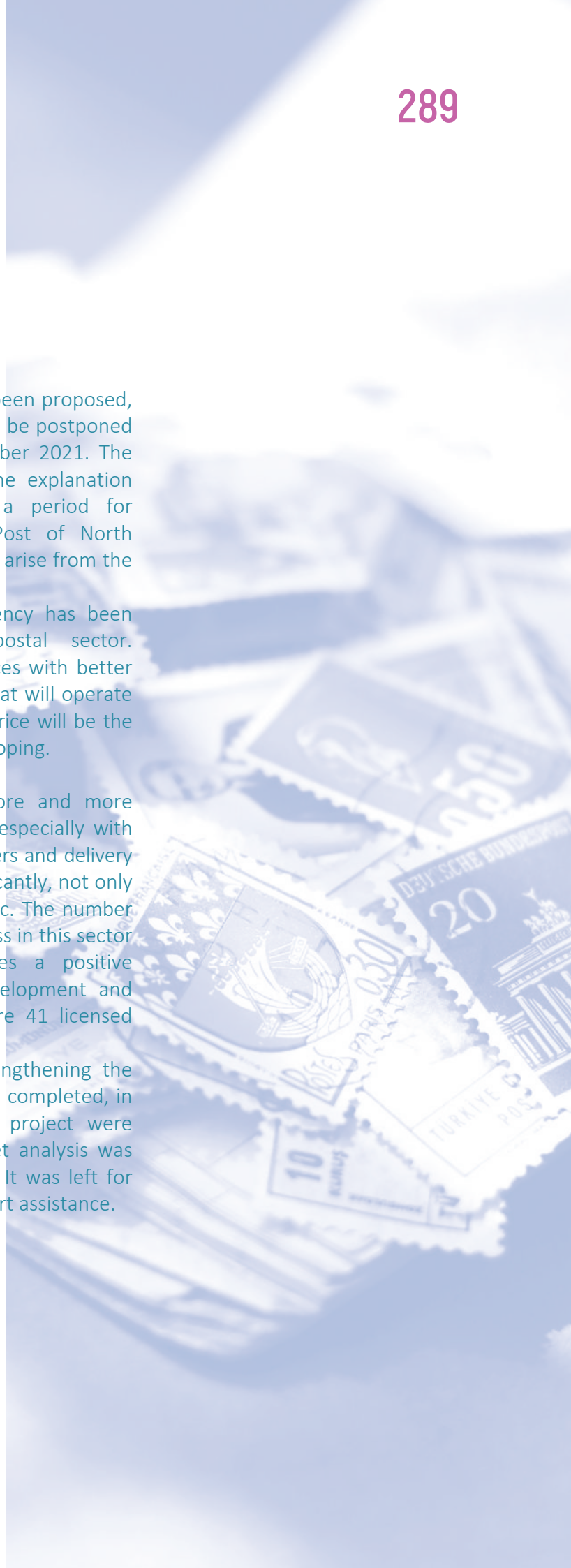
## Current situation

Amendments to the Law on Postal Services have been proposed, by which the liberalisation of the postal sector will be postponed again for 1 year, more precisely until 31 December 2021. The reasons for these amendments, according to the explanation given by the Government, is to allow for a period for harmonisation of the operation of the JSC Post of North Macedonia, in accordance with the needs that will arise from the liberalisation of postal services.

Since its establishment in 2008, the Postal Agency has been committed to the liberalisation of the postal sector. Liberalisation, as a process, means offering services with better quality as a result of competition in the market that will operate under equal conditions, and the quality and the price will be the basic parameters by which the market will be developing.

In anticipation of the market liberalisation, more and more entities are interested in working in this sector, especially with the changes that are happening in the area of orders and delivery of shipments. Online shipments are growing significantly, not only during the pandemic but also before the pandemic. The number of interested parties with a desire to start a business in this sector is constantly growing, and the regulator sees a positive opportunity in the area of socio-economic development and employment in the country. In 2020, there were 41 licensed postal service providers.

In June 2020, the EU Twinning project for strengthening the administrative capacities of the Postal Agency was completed, in which the four components envisaged by the project were completed, while the fifth component for market analysis was not implemented due to the COVID-19 situation. It was left for another project, through the use of the TAIEX expert assistance.



## Short-term priorities

### Legal framework

- After the completion of the EU Twinning project, which analysed the legal framework for regulating the postal sector, there was a need for amendment i.e. new Law on Postal Services and bylaws. The new Law will cover issues that are perceived as insufficiently addressed in the work of the Agency. Furthermore, the remarks given by the experts from the project will be incorporated in the Law, and solutions that are already applicable in several European countries will be inserted as well, such as the way of financing of the Agency, provision of state aid for the universal service provider, procedures for licensing and many other issues that were discussed during the project. After the adoption of the new Law, the bylaws will be harmonised and solutions will be introduced for more efficient market regulation.
- The new Law will also implement the new regulation for cross-border delivery of packages, which will achieve a high degree of harmonisation of the domestic legislation with the European legislation, as well as preparation for starting of the screening process in the field of postal services.
- Activities will be implemented in order to resolve the absence of separate accounting at the postal service provider, as one of the main reasons for delaying the liberalisation. It is especially important that this process is operational for both the universal service provider and the regulator, which has the authority to approve the prices of postal services, and they should be price-oriented and based on real and accurate costs in separate accounting.
- In 2020, a survey of customer needs was conducted for the first time and the obtained results show the main needs and satisfaction from the current offer of the universal service. The obtained results will be used in defining the provisions for regulating the universal service with the amendments to the Law. In 2021, there will be another research on the postal services market, which will continuously monitor the needs of the users and work will be done on their implementation.
- During 2021, the Postal Agency plans to act upon the notifications for issuance of General Authorisation, submitted by new legal entities interested in working on the package and letter services market.

- Preparation of analyses and statistical reports for the postal market will be an activity based on the data submitted by the postal service providers, which refer to the realised volume of postal services, in order to obtain a completely accurate picture of the development of the postal market.
  - The development of the e-commerce worldwide has a growing impact in our country. With the increase of online orders, there is a need for greater regulation of these shipments in order to protect the consumers and exercise their rights. In order to raise the public awareness of the postal service users about the rights that are legally guaranteed to them i.e. to make them aware about the legal remedies available to them, as well as to improve the visual identity of the Postal Agency, in 2021 the Agency will promote a web campaign for raising the public awareness of the citizens in order to be properly informed before doing online shopping.
  - During 2021, in accordance with the Supervision Programme, it is planned to conduct a number of regular inspections among postal service providers that arise from the inspections performed in 2020.
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## Medium-term priorities

### Legal framework

Further monitoring and harmonisation of the national legislation with the legislation of the European Union and its further implementation by the competent institutions.

Continuous monitoring of the changes that occur in the universal service provider, in accordance with the market mechanisms, and undertaking activities for quality provision of the universal service.

# MUTUAL RECOGNITION OF PROFESSIONAL QUALIFICATIONS

## Current situation

The *Draft-Proposal of a Law on Recognition of Professional Qualifications* harmonised with Directive 36/2005/EC and the amendments in 55/2013/EU thereof, together with the corresponding table, was submitted to the European Commission for an opinion, which was followed by comments on the text. In principle, the provisions of the Directive are incorporated in this Law, but it is also necessary to harmonise with certain remarks of the experts from the European Commission. The need for accurate determination of the responsibilities and obligations of all line institutions and preparation of appropriate bylaws has been noted. Within the Nordic Support project for Progress of North Macedonia, templates have been prepared that should contain detailed data for each regulated profession in the country, which will contribute to the renewal of the existing list of regulated professions. Following the recommendations of the European Commission and after submission of the final list of regulated professions, it is necessary to make a further analysis within each competent body according to the guidelines of Directive 958/2018/EU on a proportionality test before adoption of new regulations of professions.

The *Draft-Proposal of a Law* is harmonised with the recommendations and comments given by the experts of the European Commission and it was again submitted for inter-ministerial consultation and opinion to all competent institutions. Opinions from the line ministries have already been submitted regarding the draft text. Within the same project, a draft Action Plan for harmonisation with the Professional Qualifications Directive has been prepared. The draft Action Plan is a framework of activities to be implemented by all concerned institutions in a given period of time, in order to ensure full implementation of the provisions of the Directive and the new draft Law on Recognition of Professional Qualifications. Building of the administrative structure that is part of the inter-ministerial group for recognition of professional qualifications is underway. However, the biggest challenge is the frequent fluctuation of the administrative capacities that work on this issue, which will be a problem in the future for undertaking deeper and longer-term responsibilities that need to be met in this field. At the same time, it is necessary to strengthen the administrative capacities, not only in the institution holder in the area, but also

in other related institutions that will be implementing the acts from these laws in the future.

In the field of mutual recognition of professional qualifications, subject to harmonisation of the national legislation are also Directives 556/74/EEC and 557/74/EEC related to services, trade and use of toxic products, which need to be addressed in the Law on the Use of Chemicals, and possibly in other laws and bylaws related to this area. Another very important segment is the degree of compliance and possible implementation of Directives 248/77/EEC and 5/98/EC related to the regulated profession of lawyers as well as the manner of providing services in this activity.

## Short-term priorities

Harmonisation of the national legislation with the Directive on Mutual Recognition of Professional Qualifications:

- Adoption of the Law on Recognition of Professional Qualifications by the end of 2021.

## Medium-term priorities

Further harmonisation of the national legislation with the provisions on mutual recognition of professional qualifications:

- Adoption of bylaws arising from the Law.
- Continuous updating of the list of regulated professions.
- Action plan with dynamics for further harmonisation of the legislative, institutional and systemic framework with the provisions for mutual recognition of professional qualifications.

Harmonisation of curricula, programmes and curricula in higher education:

- Establishment of specific recommendations, guidelines for harmonisation of curricula, programmes and curricula in higher education with the provisions of Directive 36/2005/EC.
- Designing of curricula, programmes and curricula in higher education for the professions from the system for automatic recognition in accordance with Directive 36/2005/EC.

# FREE MOVEMENT OF CAPITAL

## Findings and recommendations from the EC 2020 Report

North Macedonia is **moderately prepared** in the area of free movement of capital. In the last few years, the country adopted measures to reduce restrictions on free movement of capital and to facilitate cross-border payments, but the country needs to do more. North Macedonia is taking steps in the right direction to detect doubtful sources of money. **Some progress** was made by starting to implement the strategy and strengthen the track record on the fight against money laundering and the financing of terrorism. In the coming year, the country should, in particular:

- ▶ prepare a road map with actions and timelines to apply EU rules in the area of free movement of capital;
- ▶ adopt and implement the new legislation on payment system and services;
- ▶ strengthen the capacity of relevant stakeholders in fighting money laundering and the financing of terrorism, to ensure the systematic conduct of financial investigations in criminal cases, and further align with the EU acquis in this area.



# SUMMARY

In the first half of 2021, the new Law on Payment Services and Payment Systems is expected to be adopted, which will transpose the provisions of the Payment Services Directive (2015/2366/EC), the Electronic Money Directive (2009/110/EC), Settlement Finality Directive (98/26/EC and 2009/44/EC), Payment Accounts Directive (2014/92/EC), some of the provisions of the Fifth Directive on Prevention of Money Laundering and Financing of Terrorism (2018/843) relating to the establishment of a national register of accounts and safes, as well as relevant provisions of the Regulation on Inter-change Fees for Card-based Payment Transactions (2015/751/EC) and the Regulation on the Establishment of Technical and Business Requirements for Credit Transfers and Direct Debit in euros (260/2012/EC).

A new Law on Prevention of Money Laundering and Financing of Terrorism is being prepared in order to transpose the provisions of Directives 2015/849 and 2018/843 on preventing the use of the financial system for the purposes of money laundering and financing of terrorism.

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# CAPITAL MOVEMENTS AND PAYMENTS

## Current situation

The Decision for transition to the second phase of the Stabilisation and Association Agreement (Official Gazette No. 17/2019), provided a higher degree of liberalisation of capital and financial transactions. Article 59 of the transitional provisions of the Law on Foreign Exchange Operations is activated, which terminates certain provisions of the Law.

According to the Law on Property and Other Real Rights, the ownership of non-residents of real estate in the country is allowed for citizens and legal entities from EU and OECD member countries, for all types of real estate and construction land. For non-residents from third countries (non-EU or OECD countries), the ownership of these types of real estate is allowed only in the presence of reciprocity with the respective country of origin of the non-resident. Ownership of agricultural land is not allowed for all non-residents, except in cases of reciprocity.

According to the Law on Foreign Exchange Operations, residents are free to open and have accounts abroad in certain cases regulated by the Law. Opening of account is allowed for Macedonian citizens with regulated residence abroad, as well as for those who have acquired a personal pension, social assistance or other rights abroad, including real estate and securities for the purpose of transfer. Residents can freely open and have user accounts with foreign electronic services for payment transactions only for the purpose of buying/selling of goods and services electronically.

## Short-term priorities

Preparation of a Roadmap with activities and time frame for implementation of the EU legislation in the field of free movement of capital.

Adoption of a new Law on Payment Services and Payment Systems harmonised with the European legislation in the field.  
Adoption of a new Law on Prevention of Money Laundering and

Financing of Terrorism harmonised with the European legislation in the area. With the adoption of the Law, the Register of beneficial owners of legal entities will be put into operation. The changes regulate the connection with the Central Population Register, which is mandatory if personal data is involved in an administrative procedure for registration or issuance of information.

## Medium-term priorities

Harmonisation of the Law on Foreign Exchange Operations with the Law on Payment Services and Payment Systems in the part of opening the market of cross-border services and for the new payment service providers (payment institutions and issuers of electronic money) and their participation in the foreign exchange market.

Residents will be free to open and have accounts abroad after the completion of the second phase of the SAA, that is, with the accession of the Republic of North Macedonia to the European Union.

# PAYMENT SYSTEM

## Current situation

Recently, the draft Law on Payment Services and Payment Systems was submitted to the interested parties for comments, and after holding several consultative meetings with the stakeholders and incorporating the accepted remarks, the draft Law was published on the Single National Electronic Register of Regulations ([www.ener.gov.mk](http://www.ener.gov.mk)) on 5 March 2021.

In this context, within the Twinning project "Strengthening the institutional capacity of the National Bank on the road to its membership in the European System of Central Banks", which began in September 2019, support was provided for further capacity building in the areas of payment systems and payment services, as well as in other areas of operation of the National Bank. The purpose of the project is to strengthen the capacities of the National Bank in the area of licensing of payment institutions, electronic money institutions and payment system operators, as well as their supervision and oversight of payment systems, further harmonisation of the national legislation with the EU regulation in the field of payment services, capacity building in the field of prevention of money laundering and fighting against financing of terrorism and organisational advancement of business and information aspects related to real-time gross settlement systems. Partners of the National Bank in the implementation of the project activities are the central banks of Germany and Croatia, and in some of the activities there is involvement of experts from the central banks of Belgium, Lithuania, Portugal, Slovakia and Romania. After the exchange of knowledge and experience with the experts from these central banks, the National Bank started drafting the new bylaws arising from the Law on Payment Services and Payment Systems. The online missions from the central banks of the EU also provided knowledge about the establishment of appropriate procedures related to the licensing of new payment service providers and payment system operators. The twinning project will be taking place by mid-March 2021. During 2020, the National Bank continued its supervisory activities in accordance with the bylaws on payment systems supervision harmonised with the Principles of the Financial Markets Infrastructure of the Bank for International Settlements and the Organisation of Securities Commissions.

## Short-term priorities

### Legal framework

In the first half of 2021, the new Law on Payment Services and Payment Systems is expected to be adopted. After the adoption of the Law, the preparation of the final versions of bylaws for implementation of the provisions of the Law on Payment Services and Payment Systems and their proper adoption by the National Bank will begin.

### Institutional framework

The administrative capacity of the Unit for Accounting System, Payment Operations and Auditing, within the Sector for Financial System at the Ministry of Finance will be strengthened with new employments.

The realisation of the Twinning project is expected to further strengthen the capacities of the National Bank in the area of licensing of payment institutions, electronic money institutions and payment system operators, as well as their supervision and oversight of the payment systems.

### Programmes and projects

In the first quarter of 2021, the twinning project "Strengthening the institutional capacities of the National Bank in the process of accession to the ESCB" is expected to be completed, which implements training activities for employees in the field of licensing and supervision of payment institutions and issuers of electronic money, oversight of payment systems, and on business and information aspects of the functioning of the TARGET 2 system, in order to implement the novelties that will result from the harmonisation of the national with the European legislation, after the adoption of the new Law on Payment Services and Payment Systems.

In the course of 2021, the 13th Conference on Payments and Market Infrastructure, as a joint project of the National Bank with the Central Bank of the Netherlands is planned to be held, at which views and experiences are expected to be exchanged regarding market and regulatory aspects related to payment services and payment systems.

## Medium-term priorities

After the adoption of the Law on Payment Services and Payment Systems, in accordance with the deadlines set out in the Law, the preparation of the bylaws for practical implementation of the provisions of the Law on Payment Services and Payment Systems which are in the mandate of the National Bank will be completed. The implementation of most of the bylaws is expected to begin after the adoption of the Law. The by-laws related to the concept of open banking and harmonisation with SEPA technical requirements for credit transfers and direct borrowing will require a medium-term period of time.

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# PREVENTION OF MONEY LAUNDERING AND FINANCING OF TERRORISM

## Current situation

The legal framework regulating the prevention of money laundering and financing of terrorism is set by the Law on Prevention of Money Laundering and Financing of Terrorism. This Law is in line with the EU acquis, Directive 2015/849. The Law prescribes the measures, actions and procedures that the entities and competent state bodies undertake in order to detect and prevent money laundering, related criminal offenses and financing of terrorism, in a manner adequate to the identified and assessed risk of money laundering and financing of terrorism.

The anti-money laundering and anti-terrorist financing system consists of:

- Entities – these include individuals and legal entities in charge of taking measures and actions to prevent money laundering and financing of terrorism;
- The Financial Intelligence Unit (FIU) - a body within the Ministry of Finance with the capacity of a legal entity, responsible for collecting, processing and submitting data for the purposes of preventing money laundering and financing of terrorism;
- Law enforcement agencies - Ministry of Interior, Financial Police Directorate and Public Prosecutor's Office for fight against organised crime - bodies that act on reports submitted by the Directorate for the purpose of preventing money laundering and financing of terrorism. This category also includes the Customs Administration, which, in addition to other competencies, monitors the import and export of cash from/in the country;
- Bodies supervising the implementation of measures and actions for prevention of money laundering and financing of terrorism by the entities - National Bank, Insurance Supervision Agency, Securities and Exchange

Commission, MAPAS, Public Revenue Office, Postal Agency, Commission of Notaries within the Notary Chamber and Commission of Advocates within the Bar Association.

The Council for Combating Money Laundering and Financing of Terrorism (hereinafter: the Council) also plays an important role in this system. The Council is responsible for coordinating activities for conducting national risk assessment and for improvement of the system for combating money laundering and financing of terrorism. The Council prepared a Report on the money laundering and financing of terrorism risk assessment, which the Government adopted in March 2020. Based on the findings and conclusions of this Report, the Council is preparing a National Strategy for Combating Money Laundering and Financing of Terrorism. In addition, the Council coordinates the activities of the working group for risk assessment of financing of terrorism of non-profit organisations.

The technical capacity of the FIU has been strengthened with the support of GIZ through the implementation of a special application for monitoring and provision of feedback on the reports and notifications submitted by the FIU to the competent authorities.

In June 2020, the Government adopted a Decree with legal force implementing the Law on Prevention of Money Laundering and Financing of Terrorism during the State of Emergency. The representatives of the National Bank were actively involved in the process of preparation of this Decree. The Decree defined the manner of updating the documents and data about the client, the proxy and the beneficial owner of the client using remote access systems, through adequate implementation of the authentication process. The Decree also stipulates that the entities may not restrict low-risk clients that have not been updated from operating during the state of emergency, only if the clients conduct transactions within the ordinary course of business with the entity.

## Short-term priorities

### Legal framework

In order to further harmonise with the EU acquis, the legal framework for prevention of money laundering and financing of terrorism will be harmonised in order to transpose the provisions of the Fifth Directive (2018/843) i.e. a new Law on Prevention of Money Laundering and Financing of Terrorism is being prepared, including bylaws). In



that context, after the adoption of the new Law on Prevention of Money Laundering and Financing of Terrorism, the National Bank will appropriately revise the Decision on the methodology for managing the risk of money laundering and financing of terrorism.

According to the draft Law on Payment Services and Payment Systems, it is envisaged to establish a Single Register of Accounts, which, among other things, will cover the requirements of the Fifth Directive on Prevention of Money Laundering. This Register will begin to be established after the adoption of the new Law on Payment Services and Payment Systems and is expected to be operational one and a half years upon its adoption.

## Institutional framework

Further improvement of the system for prevention of money laundering and financing of terrorism in a manner that is adequate to the risk of money laundering and financing will take place in accordance with the dynamics and Action Plan of the Strategy for Combating Money Laundering and Financing of Terrorism (2021- 2023). The priorities of this Strategy and the activities in the Action Plan will be developed based on the conclusions of the Report on the conducted assessment of the risk of money laundering and financing of terrorism (2020).

The implementation of the activities set out in the detailed work plan of the Project for Fight against Economic Crime, German-Norwegian Cooperation in the Prevention of Illegal Financial Flows (2019-2022) (implemented by the GIZ) and the Embassy of the Netherlands - "Strengthening the capacity of the Financial Intelligence Unit in North Macedonia", should contribute towards strengthening the capacities for effective implementation of measures and actions for prevention of money laundering and financing of terrorism.

## Medium-term priorities

### Legal framework

For the purposes of more efficient implementation of the legal framework for prevention of money laundering and financing of terrorism, the preparation of guidelines and manuals is a medium-term priority. There will also be a regular analysis of the need to comply with EU regulations and other international standards and adequate measures will be taken for their implementation in the national legislation.

## area 3.04.3

### Institutional framework

In the medium term, the institutional upgrade, maintenance and improvement of the technical capacities of the FIU and the supervisory bodies covered by the Law on Prevention of Money Laundering and Financing of Terrorism will continue, including maintenance of an efficient system of inter-institutional and international cooperation in order to ensure the efficiency of the system for combating money laundering and financing of terrorism.

### Programmes and projects

"The project for fight against economic crime - Phase II"<sup>68</sup> implements measures to promote democracy and rule of law by preventing and controlling money laundering and financing of terrorism in accordance with European and other international standards. The 36-month project is funded by the EU and the Council of Europe and implemented by the Council of Europe. According to the established work plan, there will be activities for harmonisation of the legislation with the new international standards, for strengthening the analytical capacities, improvement of the supervisory capacities and of the capacities for implementation of the restrictive measures against financing of terrorism and proliferation of weapons for mass destruction.

FIU and the National Bank are participants in the realisation of the German-Norwegian cooperation in the Prevention of Illegal Financial Flows 2019-2022 (implemented by GIZ). The main goal of the project is to improve the capacity to combat illegal financial flows. The project has three areas in which measures will be implemented for prevention, investigations and identification of illegally acquired property. Prevention measures should provide: improvement of the regulation by providing greater transparency of the ownership of legal entities (functionality of a Register of beneficial owners), account holders (establishment of a Register of account holders), determination of the exposure of non-profit organisations to the risks of money laundering and financing of terrorism, strengthening the capacities of the entities, etc.

FIU is the main beneficiary of the project funded by the Embassy of the Netherlands - "Strengthening the capacity of the Financial Intelligence Unit in North Macedonia". The main goal of the project is to improve the capacity of the FIU. The following activities are expected to be implemented:



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<sup>68</sup> The implementation period is 2019-2023



- Redesigning the current static website into a dynamic website with a web platform accessible to entities;
  - Updating of indicators in order to identify suspicious FT-related activities;
  - Involvement of experts for preparation of a legal framework for regulation of virtual currencies in accordance with the recommendations of the FATF and EU directives;
  - Improving the methodology for strategic analysis and improving the information capacities of the FIU for conducting strategic analysis;
  - Update of ISO quality management standards; and
  - Access, networking and visibility activities.
-

# COMPANY LAW

## Findings and recommendations from the EC 2020 Report

North Macedonia has a **good level of preparation** in the area of company law. The country is well advanced following the EU rules on the formation, registration, merger and division of companies. **Some progress** was made on further harmonising the company Law with the EU acquis during the reporting period, but more alignment with the latest EU acquis on corporate accounting and statutory audit is still needed. The Law on accounting and the Law on audit are still to be adopted. The financial independence of the Council for Advancement and Oversight of Audit, who acts as an independent supervisory body, needs to be strengthened. As last year's recommendations were partly addressed, in the coming year, North Macedonia should in particular:

- ▶ adopt the latest amendments to the company Law;
  - ▶ adopt the Law on accounting and the Law on audit and align it with the latest EU acquis on corporate accounting and statutory audit.
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# SUMMARY

By the end of the first half of 2021, it is planned to adopt a Law Amending the Bankruptcy Law. In the medium term, it is planned to revise the Law on Companies and other related laws, in relation to the latest legislation of the European Union for corporate accounting and statutory audit.

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# COMPANY LAW

## Current situation

On 7 December 2020, the Assembly adopted the Law Amending the Law on Companies, which transposed the remaining part of the cross-border merger under EU Directive 2005/56, replaced by EU Directive 2017/1132, together with the introduction of the Code on Corporate Governance in accordance with Article 20 of EU Accounting Directive 34/2013 (Official Gazette 290/20).

At the beginning of April 2020, the Ministry of Economy published on ENER the Proposal of a Law Amending the Bankruptcy Law, transposing Directive (EU) 2019/1023 of the European Parliament and of the Council of 20 June 2019 on preventive restructuring framework, on discharge of debt and disqualifications, and on measures to increase the efficiency of procedures concerning restructuring, insolvency and discharge of debt, and amending Directive (EU) 2017/1132 (Directive on Restructuring and Insolvency). The Law will implement the recommendations of the IPA project for "Strengthening the administrative capacity for implementation of the legal framework for bankruptcy and liquidation" (which was implemented in the period June 2016 - November 2017) as well as the proposals and comments from the working group members.

## Short-term priorities

By the end of the first half of 2021, the Law Amending the Bankruptcy Law will be adopted harmonised with Directive 2019/1023 and with the amendments to Directive 2017/1132 on restructuring and insolvency.

## Medium-term priorities

In the medium term, the procedure for revision of the Law on Companies and other related laws will begin, in relation to the latest EU legislation on corporate accounting and statutory audit, shareholder rights and transparency of joint stock companies listed on the stock exchange, within the IPA project "Strengthening the Internal Market", which started with implementation in January 2021 and will last for the next two years.

It is planned to conduct analysis and transposition of the following EU measures:

- Directive (EU) No. 2017/1132 relating to certain aspects of company law (codified text) with the related acts;
- Directive (EU) no. 34/2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive No. 2006/43/EC of the European Parliament and of the Council and repealing Council Directives No. 78/660/EEC and 83/349/EEC of the Council;
- Directive 2014/95 concerning disclosure of non-financial and diversity information by certain large undertakings and groups;
- Regulation 1601/2002 on the application of international accounting standards;
- Directive (EU) No. 2017/828 amending Directive 2007/36/EC with regards to encouragement of long-term shareholder engagement;
- Directive 2004/109 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC (consolidated version);
- Regulation No.2018/1212 laying down minimum requirements implementing the provisions of Directive 2007/36/EC of the European Parliament and of the Council as regards shareholder identification, the transmission of information and the facilitation of the exercise of shareholders rights;
- Directive (EU) No.2014/95 amending Directive (EU) No.2013/34 with regards to disclosure of non-financial and diversity information by certain large undertakings and groups;
- Directive 2014/56 on statutory audit of annual accounts and consolidated accounts;
- Regulation 537/2014 on specific requirements relating to statutory audit of public interest entities and repealing Commission Decision 2005/909/EC.



# ACCOUNTING AND AUDIT

## Current situation

The Government adopted the Law Amending the Law on Accounting, in order to align with articles of the Law on Services, as well as to postpone the obligation to attend classes for continuous professional development from the Fourth set of economic measures intended to revitalise the economy in a situation of COVID-19 and reduction of the number of hours for continuous professional development.

A new Law on Audit is being prepared, transposing Directive 2014/56/EU on statutory audit of annual accounts and consolidated accounts and Regulation 537/2014 on specific requirements regarding statutory audit of public-interest entities. In the coming period, the Ministry of Finance will start a process of consultations with all stakeholders for the purpose of their active involvement in shaping the final text of the draft Law on Audit. In the past period, the Institute of Certified Auditors has adopted the Annual Work Report for 2020, the Annual Work Programme and the Financial Plan for 2021 and conducted disciplinary proceedings against ICARM members for violation of the ISAs, the IFAC Code of Ethics for Professional Accountants and acts of the ICARM. In the past, the Institute adopted a Report from the conducted quality control and prepared an Annual Plan for quality control inspections for 2020/2021, according to which quality control activities are carried out by audit companies and certified auditors – sole proprietors.

The Institute also adopted the Annual Programme for Continuing Professional Development for 2020, and due to the COVID-19 situation, the events are held online and/or combined with physical presence of a limited number of participants. In the September/October 2020 period, the Institute also conducted an examination for obtaining the title of auditor and has approved applications for recognition of qualification for auditor acquired abroad.

During this period, the Institute also concluded a Memorandum of Cooperation with other professional organisations and academic institutions in the country, and finalised the procedure for publishing the updated translation of the International Standards on Auditing and other relevant IFAC standards.

## Short-term priorities

### Legal framework

By the end of 2021, the Law Amending the Law on Accounting is expected to be adopted. In terms of audit, by the end of the first half of 2021, the new Law on Audit is expected to be adopted in order to achieve alignment with Directive 2014/56 and Regulation 537/2014 on specific requirements regarding statutory audit of public-interest entities. Within the IPA 2 Project "Strengthening the Internal Market" which started in January 2021 and will last for the next two years, technical assistance is provided for Directive 2014/56/EU on statutory audit and Directive 2013/34/EC on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings.

### Medium-term priorities

Within the IPA 2 Project "Strengthening the Internal Market", transposition of the provisions of Directive No.2013/34/EU the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, are envisaged in the national legislation.

### Institutional framework

The administrative capacity of the Unit for accounting system, payment operations and auditing, within the Sector for Financial System at the Ministry of Finances will be strengthened with new employments, in the short and medium term.



# INTELLECTUAL PROPERTY RIGHTS

## Findings and recommendations from the EC 2020 Report

North Macedonia remains **moderately prepared** in this area. There was **some progress** with raising awareness about the fight against counterfeiting, smuggling and import of counterfeit goods including an increase of seized goods. The recommendations from 2019 were not fully implemented and remain valid. In the coming year, North Macedonia should in particular:

- ▶ establish an information platform for law enforcement institutions to exchange data on IPRs;
- ▶ further improve the legal framework on intellectual property, notably the collective rights management system, by aligning with the Collective Rights Management Directive and the industrial property rights by aligning with the Enforcement Directive and with the Trade Secrets Directive.



# COPYRIGHT AND RELATED RIGHTS

## Current situation

The Proposal of a Law Amending the Law on Copyright and Related Rights (Official Gazette No.51/2010, 147/2013, 154/2015 and 27/2016) is harmonised with the Directive 2014/26/EC on collective management of copyright and related rights and multi-territorial licensing of rights in musical works for online use in the internal market, Directive 2011/77/EU amending Directive 2006/116/EU on the term of protection of copyright and certain related rights, with regard to copyright protection of co-authors of musical works with text, the term of protection of the performers and phonogram producers of recorded musical performances i.e. phonograms from 50 to 70 years, Directive 2012/28/EU on permitted use of orphan works, as provisions for implementation of the Marrakech Treaty to facilitate access to published works for people who are blind, visually impaired or otherwise print disabled. At the same time, harmonisations with the provisions of the Law on Misdemeanours have been made.

Having in mind the need for expert assessment of the Proposal of a Law Amending the Law on Copyright and Related Rights, as well as the opinions and views of all stakeholders in the process of adopting the amendments to the Law, the Ministry of Culture obtained technical and professional assistance through the TAIEX instrument and engagement of European experts.

The priority objective is to establish a system for efficient exercise of copyright and related rights, including collective management of copyright and related rights, which include:

- Strengthening the capacities in the collective management of copyright and related rights, for the purpose of establishing new organisations for collective management with function and obligation to build a system and practice, similar or related to the one in the Union. This objective includes several other similar measures and activities, such as organising thematic workshops to encourage the collective realisation of copyright and related rights and the development of information and educational materials on the website related to copyright and related rights.

- Applying for EU projects in order to raise the public awareness of the importance of copyright and related rights, its implementation and collective management within the practice in the European Union Member States.

This strategic objective implies implementation of copyright and related rights by intensifying coordination and cooperation in this area with relevant state bodies and institutions, with special emphasis on providing and exchanging data on exercising and protection of copyright and related rights.

## Short-term priorities

- Adoption of amendments to the Law on Copyright and Related Rights, with emphasis on the collective exercise of copyright and related rights and its proper implementation;
- Creating a functional website for copyright and related rights.
- Organising campaigns: in general about the importance of copyright and related rights; on the role of copyright and related rights in activities and industries based on copyright and related rights; to encourage the collective exercising of copyright and related rights; to encourage legal ways of using copyrighted works and related rights.
- Organising thematic workshops: Collective exercising of copyright and related rights; protection of rights; transfer of rights; copyright and related rights and new technologies and media; copyright and related rights and activities and industries based on copyright and related rights.
- Intensify cooperation with the World Intellectual Property Organisation.
- Intensification of bilateral cooperation in the field of copyright and related rights with the Southeast Europe countries.

## Medium-term priorities

Preparation of a strategic document for the inclusion of copyright and related rights in the education system.

# INDUSTRIAL PROPERTY RIGHTS

## Current situation

The Draft Law on Industrial Property, which is harmonised with the EU Directive 2016/943 in the field of trade secrets, is in the phase of consultations with the EC, regarding the submitted correspondent table.

In the first quarter of 2020, study visits and trainings for the Office employees to the European Union Intellectual Property Office were carried out, which is part of the bilateral cooperation between the two institutions, in the European Patent Academy of the EPC and the World Intellectual Property Organisation. The activities for finding financial assistance for realisation of the modules for establishing an information system for communication with the public and the institutions, with technical assistance from Norway, continue. The State Office for Industrial Property (SOIP) has appointed two experts who will be part of the working groups of the EPC for implementation of the Strategic Plan 2023 of the EPC in terms of projects related to information technology and patent examination. On 19 November 2020, a coordination meeting with representatives of the Association of Representatives in North Macedonia was held. The discussion on the meeting was to facilitate the procedures conducted by the Office, the digitalisation of services, harmonisation with European practices and the requirements of today's digital age, with ultimate aim – improving the conditions for protection of intellectual property rights.

The Director of the State Office for Industrial Property awarded the patent awards of the year on 19 November 2020 at the MAKINOVA event where Macedonian innovators traditionally present their products: respiratory machine, remote control system, distance maintenance and solar lounge – are inventions that won the awards for 2020.

## Short-term priorities

- Amendment in European directives and international agreements will be continuously monitored;
- Amendments to the Law on Industrial Property will be drafted;



- The activities within the project already adopted by the European Commission for development of a new national long-term Intellectual Property Strategy will be implemented, as well as development of a special dedicated electronic network for data exchange between institutions for protection and enforcement of intellectual property rights and electronic submission of all types of IP applications as well as electronic services;
- Within the framework of the bilateral cooperation with Norway, a system for data exchange with the users of the industrial property system will be established i.e. a software tool for communication with the public and the representatives of the industrial property rights will be established;
- Activities for strengthening the capacity of SOIP, for protection of industrial property rights will be implemented, by increasing the number of employees, as well as through trainings, seminars and workshops in cooperation with WIPO, EPC and the EU Intellectual Property Office (EUIPO);
- The access to information from SOIP and EUIPO, which refer to the system of protection of trademark rights and industrial design, will be simplified;
- The level of data exchange and quality of data between SOIP and EPC and EUIPO will be raised;
- SOIP will continue to implement regular activities to strengthen public awareness on the importance of industrial property through direct cooperation with the Ministry of Education and Science in the first and second cycle of higher education;
- In cooperation with the Ministry of Justice, activities to improve the Methodology for statistical monitoring and data processing on the measures taken from the implementation of intellectual property rights will be undertaken;
- SOIP will participate in the implementation of the Strategic Plan 2023 of EPC through appointment of experts from the Office in the working groups,

especially in the field of information technology and the examination of patent applications;

- Based on the guidance from the World Intellectual Property Organisation, existing IP systems will be developed, the concept of inventor will be redefined, and different categories of artificial intelligence (AI) for inventions will be identified.

## Medium-term priorities

- Adoption of a national long-term Intellectual Property Strategy, as well as development of a special electronic network for data exchange between institutions for protection and enforcement of intellectual property rights and electronic submission of all types of IP applications, as well as electronic services (within the approved IPA project);
- A special electronic network will be developed with several electronic modules such as: web-based platform for collecting and processing data from institutions that implement the intellectual property rights in accordance with the Methodology, communication module for exchange of data and experiences between institutions, a module for providing services to companies that have submitted applications for recognition of some of the industrial property rights, a module for e-learning and training (webinars, publications and literature), as well as a central database;
- Software for electronic submission of applications for all industrial property rights will be developed. The users will be able to manage data related to submission of their application using the e-forms provided, such as: data on the persons (applicants, representatives, holders, owner, licensee, pledge) PIS data (i.e. application for a patent for which the user will use e-service), grounds for challenging, cancellation, objection, invalidity, annuities, signature and payment data and methods as well as additional functions. The e-services will further support users in submitting their applications through advanced functionality, such as online and real-time data validation, uploading and viewing of high quality digital images, integration with online payment systems, etc.

## Programmes and projects

- Within the bilateral cooperation with the European Patent Organisation, projects are expected to be implemented, such as: Espacenet new, Quality in the source (exchange of data between the two institutions and raising the quality of that data for exchange). It will also participate in the implementation of all projects arising from the Strategic Plan of the EPO for 2023;
  - At the very beginning of 2021, SOIP will start implementing the project for Technical Assistance for Development of National Intellectual Property Strategy 2021-2026 and Designated Electronic Network for Exchange of Data between Institutions in the PIS System and Electronic Submission of Applications for Trademarks, Patents, Industrial Designs and e-services;
  - SOIP is in a planning phase for a project proposal for implementation of activities that will arise from the long-term Intellectual Property Strategy 2021-2026, in order to improve the entire system for protection and enforcement of intellectual property rights.
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# COMPETITION POLICY

## Findings and recommendations from the EC 2020 Report

North Macedonia is **moderately prepared** in the field of competition policy. The main legislative framework of State aid and anti-trust & mergers is broadly harmonised with the EU rules, but needs to be amended on implementing legislation covering various areas and sectors. The Commission for the Protection of Competition (CPC), as the national competition authority, lacks administrative and enforcement capacity, both in terms of staff and budget. Significant efforts are needed on enforcement. **No progress** was made in this field during the reporting period. Therefore, the recommendations of last year remain valid. In the coming year, North Macedonia should in particular:

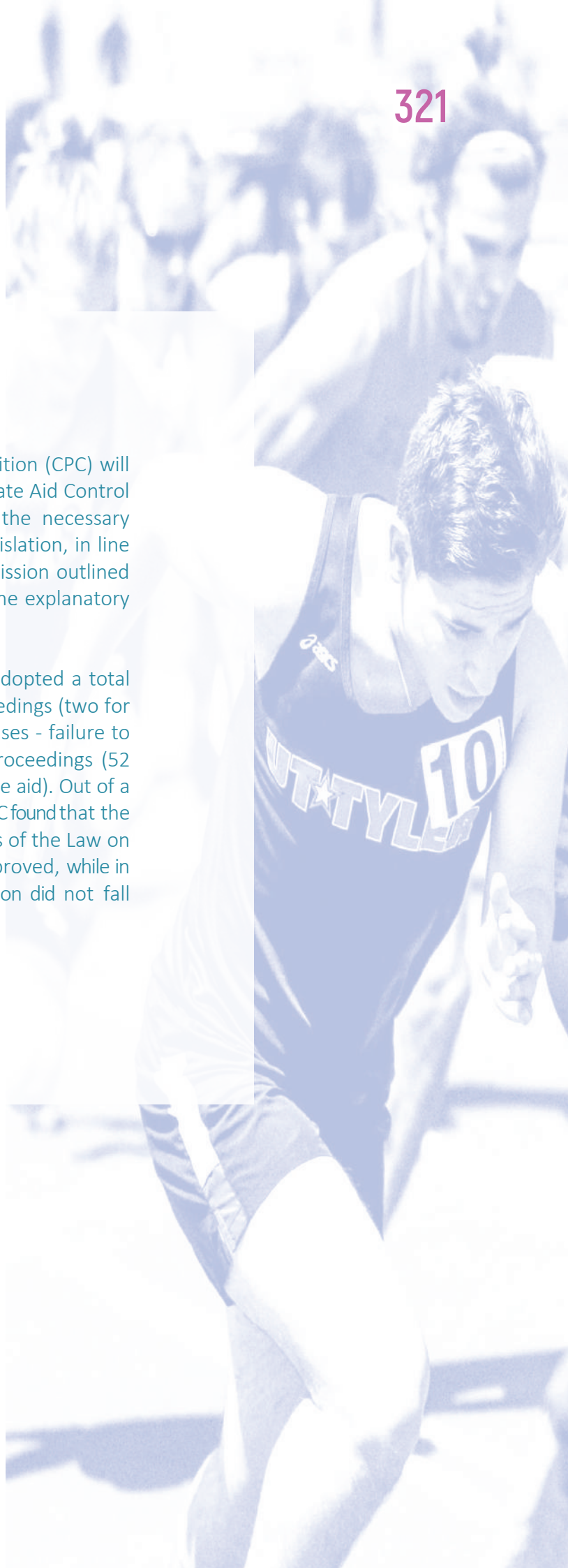
- ▶ improve the independence and strengthen the capacity of the national competition authority to step up their enforcement record, including on the most problematic cases mentioned below;
- ▶ increase the transparency of State aid granted by the government;
- ▶ further align implementing legislation in the area of State aid.

## SUMMARY

In 2021, the Commission for Protection of Competition (CPC) will prepare a detailed analysis to amend the Law on State Aid Control and the Law on Protection of Competition and the necessary bylaws, so they are further aligned with the EU legislation, in line with the recommendations of the European Commission outlined in the progress reports, at the SAA meetings and the explanatory screening for Chapter 8.

In the period January - November 2020, the CPC adopted a total of 80 decisions, of which 3 in misdemeanour proceedings (two for concerted conduct - cartel and one for minor offenses - failure to submit data) and 76 decisions in administrative proceedings (52 decisions for concentrations and 24 decisions for State aid). Out of a total of 52 decisions on concentrations, in 51 decisions the CPC found that the concentration was in accordance with the provisions of the Law on Protection of Competition (LPC) and they were approved, while in one decision the CPC determined that the concentration did not fall under the provisions of the LPC.

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# ANTI-TRUST, INCLUDING MERGERS

## Current situation

The professional service of the Commission for Protection of Competition (CPC) employs a total of 23 civil servants. 6 civil servants (4 lawyers and 2 economists) are working on implementation of the Law on Protection of Competition (LPC). In 2020, they worked continuously to strengthen the implementation capacity through participation in online workshops on antitrust.

The CPC adopted a total of 80 decisions in the period January - November 2020, of which 3 in misdemeanour proceedings (two for concerted conduct - cartel and one for minor offenses - failure to submit data) and 76 decisions in administrative proceedings, of which 52 decisions for concentrations (in 51 decision it was found that the concentration is in accordance with the LPC, and in one decision it was found that the concentration is not in accordance with the LPC). During this period, the CPC also adopted 7 opinions.

The CPC cooperates closely with the regulatory bodies in accordance with the signed memoranda of cooperation, as well as cooperation within the Competition Network of the Energy Community.

## Short-term priorities

- Detailed analysis of the legislation with identification and clear indication of the non-compliant relevant acquis, after which the Law on Protection of Competition will be amended accordingly;
- New employments and ensuring a stable, independent CPC budget;
- Strengthening the administrative capacity of the CPC for implementation of the Law on Protection of Competition through TAIEX trainings, national trainings and trainings organised by the Regional Competition Centre in Budapest;
- Intensifying the cooperation with the Ministry of Interior in order to conduct field inspections;

- Raising the awareness of government institutions and the business sector by issuing brochures, organising conferences and public debates, with a special focus on the possibility of using the Leniency Programme; and
- Strengthening the capacity of the judiciary for complex cases through specialised training conducted by the Academy for Training of Judges and Prosecutors, public debates and conferences, with assistance of foreign experts in the field of European competition law.

## Medium-term priorities

- Law Amending the Law on Protection of Competition, in order to align with the relevant acquis on State aid;
- Decree on agreements of minor importance which do not appreciably restrict competition in accordance with Article 7, Paragraph 1 of the Law on Protection of Competition (de minimis) which will be harmonised with the EC Notice on agreements of minor importance which do not appreciably restrict competition No. 2014/C 291/01 and Guidelines for implementation of the Decree;
- Decree on the application of Article 7, Paragraph 3 of the Law on Protection of Competition for categories of technology transfer agreements, which will be harmonised with Regulation (EU) 316/2014;
- Guidelines for meeting the requirements for concentration reporting, which will be harmonised with the EC Consolidated Reporting, in accordance with Regulation (EU) 139/2004 on the control of concentrations between undertakings No. 2008/C 95/01;
- Decree on group exemption of contracts in the field of transport by rail, road and inland waterway, in order to comply with Council Regulation (EC) No 169/2009 on the application of the competition rules for transport by rail, road and inland waterway.



## Programmes and projects

The CPC's need for TAIEX has been noted, in terms of strengthening its anti-trust capacities, including concentrations. The CPC also is in need of IPA funding to harmonise the competition and State aid legislation and further strengthen the CPC's capacity, as well as assistance from other donors.

A project with the European Bank for Regional Development (EBRD) is being finalised, under which technical support will be provided for training of the CPC staff working in the Anti-trust Sector.

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# STATE AID

## Current situation

Four civil servants (2 economists and 2 lawyers) are working on the implementation of the Law on State Aid Control (Official Gazette No.145/10) and the bylaws in the CPC.

In the period January - December 2020, the CPC adopted a total of 24 decisions on the assessment of the eligibility of awarding of State aid, following notifications submitted by State aid providers, and submitted 8 opinions to State aid providers regarding legal acts containing state aid.

The CPC regularly submits an updated annual State Aid Register to the European Commission.

## Short-term priorities

- Strengthening the CPC's administrative capacity for implementation of the Law on State Aid Control through TAIX training and national trainings;
- Strengthening the awareness of State aid providers for the need to comply with the provisions of the Law on State Aid Control which prescribe prior consultation with the CPC on legal acts and individual projects containing State aid, through public debates and conferences;
- Establishment of a web-based State Aid Register, in order to increase the transparency when making records, the authorisation and monitoring of data on granted State aid;
- Detailed analysis of the legislation with identification and clear indication of the non-compliant relevant acquis, after which the Law on State Aid Control will be amended accordingly;
- Harmonisation of the financial incentive scheme for the airports in Skopje and Ohrid with the Aviation Guidelines of the European Commission No.2014/C 99/03; and
- Law Amending the Law on Financial Support of Investments, in accordance with the recommendations of the European Commission for harmonisation with the Regional Aid Guidelines 2014 - 2020, No.2013/C 209/01.

## Medium-term priorities

### Legal framework

The following will be adopted:

- Law Amending the Law on State Aid Control, in order to harmonise with the relevant acquis on State aid;
- Decree on the manner and procedure for submitting a notification for granting State aid for alignment with Regulation No.734/2013 on the rules for application of Article 93 of the TFEU;
- Decree on the conditions and procedure for granting regional aid for alignment with the EC Guidelines for regional aid for 2014-2020, No.2013/C 209/01;
- Decree on the conditions and procedure for granting aid to airports and airlines, for alignment with the Aviation Guidelines of the European Commission No. 2014/C 99/03;
- Decree on the conditions and procedure for granting horizontal aid, for the purpose of alignment with Regulation (EU) 651/2014 on the rules for application of Articles 107 and 108 of the TFEU;
- Decree laying out the conditions and procedure for granting rescue and restructuring aid to undertakings having difficulty complying with Regulation (EU) 800/2008 on the rules for application of Articles 87 and 88 of the EC Treaty.

## Programmes and projects

The CPC need for TAIEX assistance was noted, which is required to strengthen its capacities in the area of state aid control, as well as support through IPA 2023, for harmonisation of the State aid legislation and further strengthening of the CPC capacities, as well as assistance from other donors.



# FINANCIAL SERVICES

## Findings and recommendations from the EC 2020 Report

In the area of financial services, the country is moderately prepared. Limited progress was made on capital adequacy guidelines and liberalisation of capital markets in accordance with the second stage of the Stabilisation and Association Agreement (SAA). Therefore, the recommendations of last year remain valid. In the coming year, the country should in particular:

- ▶ continue to implement Basel III requirements and complete the activities for designating a bank resolution authority;
  - ▶ collect data on unregistered and uninsured vehicles;
  - ▶ adequately address consumer protection.
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The Daily Telegraph

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# Buys

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**NMC Health**  
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**Pearson**  
**588½sp**  
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|                      |          |                   |
|----------------------|----------|-------------------|
| FTSE 250             | 21886.08 | +319.41 (+1.48pc) |
| FTSE All Share       | 4257.93  | +51.21 (+1.22pc)  |
| FTSE All Share Yield | 4.04     | 0.00              |
| FTSE Eurotop 100     | 3225.55  | +40.88 (+1.28pc)  |
| Nikkei 225           | 24041.26 | -190.69 (-0.80pc) |
| EURO STOXX 50        | 3808.26  | -18.74 (-0.49pc)  |
| S&P 500              | 3329.62  | -64.27 (-1.97pc)  |
| Nasdaq               | 3088.94  | -285.08 (-9.23pc) |

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# BANKS AND FINANCIAL CONGLOMERATES

## Current situation

- In November 2020, a Draft Law Amending the Law on the Macedonian Bank for Promotion of Development was prepared. The Law will establish a state guarantee scheme through the Development Bank of the Republic of North Macedonia. This measure will provide support to the private sector by undertaking some of the credit risk, improving the collateral requirements for loans from commercial banks and stimulating banks in offering long-term loans for growth and development of micro, small and medium companies.
- In the second half of 2020, a draft Law on Financial Stability was prepared and is in governmental procedure. The Law will also establish the legal framework for implementation of macroprudential policy, especially regarding the competencies of the Financial Stability Committee (FSC) and the separate competent bodies in this domain, the manner of taking macroprudential measures and issuing recommendations and indications from FS, including the manner of communication in the implementation of macroprudential policy and in managing financial crisis.

The most important activities of the National Bank of the Republic of North Macedonia (NBRNM) in 2020 in the field of banking regulation were aimed at further harmonisation with the relevant European provisions, but also for regulatory changes to properly address the negative effects of the COVID-19 pandemic on the domestic banking system and the domestic private sector. In that regard, during 2020 the National Bank adopted the following acts:

- New liquidity risk management regulation which, inter alia, enabled the introduction of the Liquidity Coverage Ratio (LCR), as a short-term liquidity standard that banks will have to follow and adhere to starting from 1 January 2021. The drafting of the new regulation followed the requirements of the European Regulation on capital requirements of credit institutions and investment firms<sup>69</sup>, including the amendments to this Regulation



from May 2019<sup>70</sup>, as well as the relevant acts of the European Commission<sup>71</sup>. In addition to this novelty, the new regulation enables further improvement of the manner in which the liquidity risk is managed, mainly in the field of liquidity risk monitoring, by monitoring the liquidity coverage ratio at aggregate level and by each significant currency, establishing and maintaining an appropriate maturity structure, monitoring the sources of funds and their concentration, monitoring the available unencumbered assets and determining, monitoring and maintenance of internal liquidity ratios;

- New regulation on the manner of identifying related parties and exposure limits enabling more appropriate implementation of the relevant provisions of the EU Regulation 575/2013 (CRR), including the latest amendments to this Regulation from May 2019 on setting and monitoring limits of exposure. The guidelines of the Basel Committee and the European Banking Authority for identifying large exposures and identifying related entities were also taken into account during the preparation. Due to the importance of the introduced innovations and the need for appropriate adjustment of the banking systems for proper application of the new requirements, this Regulation started to be applied from 1 January 2021;
- The amendments to the credit risk management regulations were aimed at resolving the negative economic effects of the pandemic. Following the example of activities undertaken in the EU, the regulatory changes from March 2020 enabled changes in the contractual conditions of the exposures approved by the banks before the beginning of the pandemic, so those exposures are not treated as restructuring. This opportunity was approved on a temporary basis i.e. until the end of September 2020, with the focus on good clients of the banks with proper status, thus avoiding excessive accumulation of risks in the balance sheets of domestic banks. The amendments leave space to the banks, in mutual agreement with the borrowers, to offer more favourable contractual conditions for the existing loans, including the possibility of granting a grace period (moratorium) on the settlement of liabilities of the borrowers. Thereby, the changed contractual conditions did not have the effect of restructuring, having in mind that they were a response to the systemic risk arising from COVID-19 and are aimed at a wide range of clients and products offered by banks. However, the obligation remains for the banks to perform a proper

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69 Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms.

70 Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019.

71 Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 and Commission Delegated Regulation (EU) 2018/1620

analysis of the quality of the credit exposure and the client, especially for clients who are non-financial legal entities. Additionally, the condition for processing of a certain claim as non-performing is facilitated. Instead of the current approach when the banks had an obligation, inter alia, to record as non-performing exposures all loans whose liabilities are executed with a delay of more than 90 days, the criterion for transition into a non-performing claim status was temporarily extended to 150 days. The banks applied this "facilitated" process only to loans with regular status, and by the end of 2020, the banks were required to fully adapt to the existing criteria for determining non-performing loans (90 days). In this way, the prudent approach was maintained, which enabled a realistic presentation of the quality of the banks' loan portfolios and its appropriate reflection on the financial result of the banks in 2020;

- Amendments to the capital adequacy regulations in order to achieve alignment with the amendments in the credit risk management regulations. In accordance with the existing regulations on capital adequacy, the banks are obliged to apply a risk weight of 150% on consumer loans with a contractual maturity equal to, or longer than, eight years. With the amendments, any extension of the maturity of consumer loans made in accordance with the amendments to the regulation on credit risk management from March 2020, is not taken into account when determining the total maturity of that loan and will not cause the need for allocation of a higher risk weight;
- Amendments to the risk management regulations extending the deadline for submission of the first Internal Liquidity Determination Report (ILDR). Given the limited resources of the banks and the need for those resources to be properly directed towards addressing the risks arising from the pandemic, the deadline of 31 May 2020 was postponed to 30 September 2020.

Following the general trends after the financial crisis, important steps were taken during 2020 to further strengthen the framework for financial stability in the country. With the signing of the Memorandum of Understanding in April 2020, the composition, the manner of operation and the main function of the Financial Stability Committee (FSC) were changed in order to serve as the main coordinating body for macroprudential policy and crisis management. With the new Memorandum, FSC consists of all regulatory and supervisory bodies in the country (National Bank, Ministry of Finance, Insurance Supervision Agency, Securities

and Exchange Commission, and Agency for Supervision of Fully Funded Pension Insurance) and the Insurance Fund of Deposits. In support of FSC, two sub-committees have been established – the Subcommittee on Systemic Risk Monitoring and Proposing Macroprudential Measures and the Subcommittee on Preparation for Financial Crisis Management, which, in the course of 2020, started with implementation of the tasks set out in the Memorandum. The tasks of the FSC include, inter alia, reviewing of analyses, information and recommendations submitted by the sub-committees; making conclusions about the situation in the financial system; issuing recommendations and warnings regarding systemic risks and financial stability and monitoring their implementation; review of macroprudential measures implemented by individual competent authorities; assessment of the institutional readiness to deal with the financial crisis; and decision-making regarding the existence of a financial crisis and taking appropriate actions to deal with the financial crisis.

In addition to these activities of the National Bank, serious efforts were made during 2020 to draft a legal solution in order to establish a new framework for banks resolution. With the new Law on Banks Resolution alignment will be achieved with Directive 2014/59/EU on the recovery and resolution of credit institutions and investment firms and conditions will be created for quick reaction of the National Bank in case of risks in the banks' operations.

In this domain, a very important twinning was started with the European Union and, among other things, is aimed at further harmonisation of the banking regulations with the relevant European regulations, establishing the function of banks resolution and strengthening of the established supervisory practices. Furthermore, the National Bank is included in the regional programme of the European Union for strengthening the capacities of the central banks from the Western Balkans in order to integrate them in the European system of central banks. Within this twinning project, several trainings in the field of supervision and financial stability have already been organised, with special emphasis on the training related to the establishment of the short-term liquidity standard and the resolution of non-performing loans. At the end, special mention should be made of the technical assistance received from the World Bank – Vienna Financial Sector Advisory Centre - FinSAC, based in Vienna. The cooperation with this Centre is of particular importance for preparation of the Law on Bank Resolution, as well as in relation to development of an internal model in the National Bank for credit risk assessment of individual clients of the banks.

## Short-term priorities

### Legal framework

- The Ministry of Finance and the National Bank will complete the process of drafting the new Law on Banking, which is expected to be adopted by the Assembly in the first half of 2021;
- The activities for drafting a new Law on Banks will continue in order to further harmonise with EU Directive 2013/36/EU and Regulation (EU) No.575/2013. The new Law will strengthen the capacity of banks to adequately manage the risks associated with their activities, as well as absorb the losses that may occur in business operations.
- The Law on Financial Stability will be adopted, which will establish the legal framework for implementation of the macroprudential policy and undertaking of macroprudential measures. In parallel with the adoption of this Law, appropriate amendments will be made to the Law on the National Bank, in order to adequately regulate the new activities that the National Bank will have to perform in the field of implementation of the macroprudential policy;
- The National Bank will develop and adopt new regulations for publishing data and information by banks. This regulation will strengthen the existing requirements for publishing of data by banks, through their compliance with the new requirements for risk management, primarily with the liquidity and credit risk, as well as further compliance with the relevant requirements of European Regulation 575/2013;
- The National Bank will direct its activities towards adopting appropriate bylaws that will arise from the Law on Financial Stability, as well as towards establishing appropriate capacities for performing the activities that the National Bank will have to carry out in the field of macroprudential policy implementation. Given the importance of these activities, they are expected to continue in 2022 as well.

## Medium-term priorities

### Legal framework

The most significant activity of the National Bank with medium-term priority is related to the implementation of the Law on Banking, which will mean: preparation of the relevant bylaws, preparation of internal procedures and rules for performing this activity in the National Bank and for proper communication and cooperation between this function and the supervisory function which is also performed in the National Bank (the supervisory function and the function for resolving banks will be performed by special organisational units), building appropriate capacities for performing this function, making plans for resolving a particular bank and the like. Having in mind the scope of these activities, as well as the experience of other countries in the establishment and implementation of this function, it is expected that the whole process will require a longer period of time in order to be completed.

With the adoption of a new Law on Banks, in the next medium-term period the National Bank will be also focused on preparation of all the bylaws that will arise from this Law. This activity is expected to be smaller (compared to the activities related to the Law on Banking), given the degree of compliance of the existing bylaws with the European directives and regulations. However, as part of the bylaws that will emerge from the new Law on Banking, a particular challenge in the next medium term will be to establish conditions for proper application of advanced approaches used to determine capital required for the credit, operational and market risk, as well as proper regulation of capital treatment of the bank exposures.

In the following period, the National Bank will also direct its activities towards adopting appropriate bylaws for conducting efficient macroprudential policy towards the banks and other financial institutions under jurisdiction of the National Bank.

## Institutional framework

The National Bank will continue to strengthen its capacities in the field of banking supervision, banking regulation and banking decision-making, with special emphasis on accepting and better understanding of practices present in the European Union (within the Single Supervision Mechanism, the Single Bank Resolution Mechanism, etc.). At the same time, the National Bank will continue to build the capacity to implement the macroprudential policy and to manage a financial crisis.

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# INSURANCE AND FULLY FUNDED PENSION INSURANCE

## Current situation

In February 2020, an amendment to the Law on Insurance Supervision was adopted which harmonised this Law with the provisions of the new Law on Misdemeanours (Official Gazette No. 96/2019). The adoption of this Law also eased the penal policy by reducing the amount of fines for individuals and legal entities in order to improve the business climate in the country.

During 2020, the Insurance Supervision Agency (ISA) adopted 6 bylaws that regulate amendments made to bylaws arising that have been adopted in relation to the Law on Insurance Supervision, as follows:

- Rulebook Amending the Rulebook on the manner, procedure and conditions for conducting training and taking a professional exam for an insurance agent (Official Gazette No.35/2020);
- Rulebook Amending the Rulebook on the manner, procedure and conditions for conducting training and taking the professional exam for insurance broker (Official Gazette No.35/2020);
- Rulebook Amending the Rulebook on the types and description of items that will be taken into account when calculating the capital of insurance and/or reinsurance companies (Official Gazette No.96/2020);
- Rulebook Amending the Rulebook on types and characteristics of the assets that cover the technical reserves and the assets that cover the mathematical reserve, as well as detailed placement and limitation of those investments and their valuation (Official Gazette No.107/2020);
- Rulebook Amending the Rulebook on the method for valuation of items from the Balance Sheet and preparation of business balance sheets (Official Gazette No.107/2020);
- Rulebook Amending the Rulebook on minimum content of the records and the manner of reporting, reserving



and liquidation of claims by insurance companies (Official Gazette No.107/2020).

The amendments to the Rulebook on the manner, procedure and conditions for conducting training and taking the professional exam for insurance agent and the Rulebook on amendments to the Rulebook on the manner, procedure and conditions for conducting training and taking professional exam for insurance broker (Official Gazette No.35/2020) were carried out for the purpose of alignment with the Law on the Use of Languages.

The purpose of the amendments to the Rulebook on the types and description of items that will be taken into account when calculating the capital of insurance and/or reinsurance companies was to further define the conditions to be met by subordinated debt instruments in order for the funds collected on the basis of emission of this instrument to be included in the calculation of the capital of the insurance companies.

The amendments to the Rulebook on types and characteristics of assets covering technical reserve and assets covering mathematical reserve, as well as detailed placement and limitation of those investments and their valuation, the Rulebook on the method for valuation of items from the Balance Sheet and preparation of business balance sheets and the Rulebook on amendments to the Rulebook on minimum content of the records and the manner of reporting, reserving and liquidation of claims by insurance companies were initiated in order to enable the insurance companies to absorb the initial shocks on their financial result, solvency and liquidity in operations as a result of the health crisis caused by the COVID-19 pandemic. These amendments have enabled insurance companies to be more flexible with policy holders, without incurring losses due to regulatory requirements.

Additionally, ISA adopted 3 completely new bylaws, as follows :

- Rulebook on the form and content of the Misdemeanour payment order (Official Gazette No.57/2020);
- Rulebook on minimum requirements for receiving, processing, reservation and payment of a claim for damage compensation and/or insured amount, in order to better protect the rights of the policyholders (Official Gazette No.224/2020);
- Rulebook on the minimum standards of the information

systems of the insurance companies, insurance brokerage companies and insurance representation companies (Official Gazette No.260/2020).

With the new regulations, ISA has strengthened the standards and procedures for resolving claims by insurance companies and strengthened the minimum criteria and standards to be met by the information systems of insurance companies, insurance brokerage companies and insurance representation companies, including their safety.

The basic laws that establish and regulate the fully funded pension insurance are the following: Law on Mandatory Fully Funded Pension Insurance, Law on Voluntary Fully Funded Pension Insurance and Law on Payment of Pensions and Pension Allowances from Fully Funded Pension Insurance. The voluntary fully funded pension insurance regulates occupational pension schemes that are harmonised with Directive (EU) 2016/2341 on the activities and supervision of institutions for occupational retirement provision (IORPs). Furthermore, the principles of the International Organisation for Pension Supervisors (IOPS) are accepted as an integral part of the regulation, and the IOPS and OECD documents related to fully funded pension insurance are reviewed and applied accordingly.

The Ministry of Finance, i.e., the Insurance System Unit, operating within the Sector for Financial System, is responsible for preparation of the legislation regarding the insurance system and harmonisation of the Macedonian legislation with the legislation of the European Union. Two people are currently working in this unit.

ISA is an independent regulatory body that performs public authorisations, determined by the Law on Insurance Supervision and the Law on Mandatory Traffic Insurance. At the end of 2020, the Insurance Supervision Agency employed a total of 28 people, of which 11 in the professional supervision service, 5 people in the professional regulation and licensing service, 12 people in the professional general and administrative affairs service, the Directorate for affairs directly related to the work of the Council of Experts and the Internal Audit Directorate.

The Agency for Supervision of Fully Funded Pension Insurance (MAPAS) controls the operation of the fully funded pension insurance market, which simultaneously regulates the second and third pillars with bylaws and proposes legal changes in this area. A continuous priority of MAPAS are activities related to educating the public regarding the fully funded pension insurance, as well as the cooperation in this area with other institutions. Representatives of MAPAS, as members of the coordination body composed of representatives of the financial regulatory bodies, meet regularly for

financial education of the population and improvement of consumer protection. MAPAS continuously provides financial education to young people, adults, as well as trainings for journalists and judges, and also issues the electronic bulleting e-MAPAS and informs the public through public announcements.

MAPAS also regularly reviews the on-going systemic risks, but also the risks which are consequence of the COVID-19 pandemic, through the Risk Assessment Committee which meets on a quarterly basis.

## Short-term priorities

### Legal framework

- By the end of 2021, a new Insurance Law will be adopted. The new Insurance Law will be harmonised with Directive 2009/138/EC on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) and will achieve compatibility and competitiveness of the domestic insurance industry with that of the EU Member States. The Law will increase the security and stability of the insurance sector and will strengthen the protection of the policyholders. The capital requirements for operation of the insurance companies will be strengthened, supervisory measures will be prescribed that are appropriate to the identified irregularities in the operation of the companies and effective mechanisms for protection of the rights of the consumers of insurance services will be established.
- During 2021, ISA will prepare and conduct Quantitative studies on the impact of the quantitative claims and solvency claims of insurance companies on the insurance market, for which it will request appropriate expertise and technical assistance from the European Commission.
- During 2021, the Ministry of Finance, in cooperation with ISA, will make a gap analysis of the requirements and standards of the Directive 2016/97 which refers to the Insurance Distribution Directive (IDD) as well as the possibilities, capacities and dynamics for its transposition in the Macedonian legal system.
- During 2022, depending on the activities realised with the adoption of the new Insurance Law, ISA will work on amending the bylaws in order to harmonise it with the new Insurance Law. Additionally, it is planned to adopt a regulation that will establish standards at concluding

insurance contracts in the insurance class referring to the so called unit-link products, which is increasing its share in the total gross written premium on the market.

- In the coming period, MAPAS will propose amendments to the Law on Mandatory Fully Funded Pension Insurance and the Law on Voluntary Fully Funded Pension Insurance, in the area of developing new instruments for investing pension funds and liberalising the regulations related to investment restrictions of pension funds in instruments issued by EU Member States.

## Medium-term priorities

### Legal framework

- By the end of 2022, it is planned to adopt a new Law on Intermediaries, which will be harmonised with the Insurance Distribution Directive (IDD) 2016/97. The new Law on Intermediaries will ensure an equal level of consumer protection. The purpose of the Law is to promote equality and competition under equal conditions between intermediaries, whether they are affiliated with an insurance company or not. For consumers, it will be possible to have access to insurance products, including distribution, through different channels and through intermediaries who cooperate with insurance companies in different ways, under similar or same conditions and rules.
- In medium term, it is planned to continue with further harmonisation and approximation to European regulations. Regulations related to liberalisation of the investment restrictions in EU countries will be proposed, as well as for strengthening of the autonomy and effectiveness of MAPAS as an independent and autonomous regulatory body.
- By 2025, MAPAS will cooperate with the Ministry of Labour and Social Policy (MLSP) on amendments to the Law on Mandatory Fully Funded Pension Insurance and the Law on Voluntary Fully Funded Pension Insurance, in terms of developing new instruments and opportunities for introduction of various portfolios based on members' life cycles, as well as qualitative and quantitative criteria in the investment regulations for domestic and

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foreign capital markets, which should be applied by the companies that manage the pension funds.

### Institutional framework

The administrative capacity of the Unit for Insurance System at the Ministry for Finance will be strengthened through trainings for the employees, both in the country and abroad.

MAPAS will continue to follow all trainings provided for strengthening the administrative capacity and will send employees to individual trainings in order to strengthen their expert capacities, with a purpose of harmonising the regulations with the latest regulations and activities, and for implementation of risk-based supervision. In medium term, MAPAS will strive to increase the number of entities related to payment of pensions and pension benefits from fully funded pension insurance. Analyses for providing tax incentives in the payment of pensions and pension benefits will be also activity of MAPAS in medium term. MAPAS will cooperate with other financial regulators in the country, especially for the purpose of providing effective financial education to the public.





# FINANCIAL MARKET INFRASTRUCTURE

## Short-term priorities

The Settlement Finality Directive (98/26/EC) will be transposed into the Law on Payment Services and Payment Systems. The implementation of the Directive in this Law will contribute towards minimising of the systemic risks of the participants in the existing payment system and the existing system for settlement of securities, as well as maintenance of their stability.

In terms of implementation of the Financial Collateral Directive (Directive 2002/47/EC of the European Parliament and of the Council of 6 June 2002 on financial collateral arrangements), expertise was provided through the UNOPS project Nordic Support to the Progress of North Macedonia - cooperation with The Centre of Excellence of the Republic of Croatia, which will contribute to additional harmonisation of the Law on Financial Collateral with this Directive.

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# SECURITIES AND INVESTMENT SERVICES

## Current situation

In the period January-October 2020, the amendments to the Law on Securities, the Law on Undertaking of Joint Stock Companies and the Law on Investment Funds were adopted. The amendments to these laws aligned them with the provisions of the new Law on Misdemeanours (Official Gazette No. 96/19). At the same time, the Securities and Exchange Commission (SEC) adopted 13 bylaws (rulebooks) arising from these laws under its jurisdiction, as well as 7 internal acts aimed at harmonising and improving the operation and implementation of its function.

During 2020, working groups consisting of employees of the Ministry of Finance, the SEC, the Central Depository of Securities, the Macedonian Stock Exchange and representatives of brokerage houses worked on the draft texts of the Law on Financial Instruments and the Law on Prospectuses of Securities and Transparency Obligations for Issuers, which implement the latest European directives and regulations in the field of capital market.

Within the professional and educational activities of the Securities and Exchange Commission (SEC), training of staff for working with securities and training for investment counselling were organised in 2020, where 3 persons obtained a certificate for passing the professional exam for working with securities and 2 persons received a certificate for having passed the professional exam for investment counselling.

## Short-term priorities

- Adoption of a Proposal Law Amending the Law on Investment Funds in order to harmonise the domestic legislation with the Directive 2009/65/EC on undertakings for collective investment in transferable securities (introduction of funds - nurturers and funds - masters, procedures for cross-border and domestic mergers of investment funds and providing greater and easier information to investors through the introduction of a document - key information for owners of shares in the underwriting fund, in addition to the basic

prospectus of the underwriting fund). The Law will be adopted in the first half of 2021;

- Adoption of two new laws in the field of capital market (Law on Financial Instruments and Law on Prospectuses for Securities and Transparency Obligations for Issuers) which will be largely harmonised with the latest European legislation in the field of capital market. The new legal framework will create conditions for development of new products and services on the financial market in the country, it will introduce new trading markets, it will provide a higher level of market stability, it will strengthen the powers of supervisory bodies, it will strengthen the transparency by providing high quality information and it will improve the protection of investors and all market participants. The laws will be adopted in the second half of 2021;
- In order to strengthen the international cooperation together with the regulatory bodies from the region, the Commission will continue to undertake activities for increasing of the international visibility and perspective of the capital markets from the region by attracting investors, facilitating access to a wider range of financial products and services, increasing the competition;
- In order to ensure greater transparency and availability of data, as well as to facilitate the submission of data to authorised participants in the capital market (brokerage houses, banks, stock exchanges and depositors), the SEC will upgrade the existing information system for supervision and notification in 2021, by enabling electronic submission of all reports, which the authorised participants in the capital market are obliged to submit according to the law and bylaws. The development of this system will also enable public access to certain data submitted by the authorised participants. This IT application for data submission from investment funds will be further upgraded with data checking possibilities submitted by the companies, in order to control the manner of valuation by all funds. It is also planned to enable the management companies to use electronic application for submission of requests for approval of certain documents (prospectuses, statutes, etc.) which they submit in order to obtain consent about them;
- In 2021, activities will continue for mobilisation of long-term financial resources, by channelling them into investment projects that can contribute to the development of the financial sector and growth of the economic activity (cooperation with state-owned JSC,

local self-government units, ZELS, MF, ME);

- In 2021, within the implementation of its educational function, the SEC will organise and conduct training and taking a professional exam for performing activities related to securities and a professional exam for investment counselling and training for corporate secretaries;
- In 2021, the SEC will continue to educate investors, issuers and the general public in order to achieve the following goals: improved understanding of the securities market, financial products and concepts; stimulate the development of the securities market and enable its enrichment with new instruments; as well as increase of the awareness of the benefits of using the securities market and awareness of the risks by using certain financial instruments. Target groups of the programme are investors, joint stock companies, local self-government units and public enterprises, employees in public institutions, judges, prosecutors, tax officers, employees in financial institutions and small and medium-sized enterprises, journalists, limited liability companies, and the general public;
- In the first half of 2021, the SEC, together with the other members of the Coordination Body for Financial Education and Inclusion, will adopt the National Strategy for Financial Education and Consumer Protection as part of a joint project implemented with the International Organisation (OECD) and the Ministry of Finance of the Netherlands.

## Medium-term priorities

- The implementation of the Directive 2011/61/EU on Alternative Investment Fund Managers and the Regulation on venture capital funds 345/2013 in the domestic legislation are planned for the first half of 2022. The implementation of the Directive will strengthen the rules and procedures for operation of private investment funds and will regulate the procedure for approval of managers of private investment funds. The implementation of the Regulation on venture capital funds will regulate in more details the conditions that have to be met by this type of funds if they want to use the name "venture capital funds" in their name. For this purpose, technical assistance was provided by the World Bank and a consultant was selected to work on

establishment of an Action Plan for implementation of the Directive and the Regulation;

- By the end of 2022, the Ministry of Finance and SEC plan to prepare Capital Market Development Strategy for the Republic of North Macedonia. The Strategy should determine the basic objectives and priorities of the capital market and propose concrete measures for its further growth and development;
- SEC will continue the cooperation with several relevant regulatory bodies in order to improve its operation and exchange experiences in the implementation of EU directives in the domestic legislation;
- Adoption of bylaws deriving from Law on Financial Instruments and Law on Prospectuses for Securities and Transparency Obligations for Issuers;
- SEC will continue to strengthen the IT capacities for the purpose of efficient, consistent and full implementation of the new legislation, by using funds from international and bilateral donors;
- The Coordination Body for Financial Education will continue with activities related to raise the level of financial literacy of the population;
- The realisation of the activities envisaged by the Action Plan for implementation of the National Strategy for Financial Education and Consumer Protection will be carried out in the period 2022-2025, as part of the joint project with the International Organisation (OECD) and the Ministry of Finance of the Netherlands;
- The continuous process of harmonisation of the regulation by incorporating the objectives and priorities in accordance with IOSCO Strategic Direction will continue in the next period, primarily in the implementation of guidelines and recommendations for establishing cooperation mechanisms between the national regulators for the purpose of more efficient supervision;
- Continuous cooperation with other regulators of securities markets in the region in order to support the activities for deeper integration which started with the establishment of a joint trading platform SEE-Link (establishment of a common settlement platform, acceptance of common rules for transparency and common rules for listing);

- Undertaking of continuous activities in order to increase the interest for investing in securities (stocks, bonds) - an alternative way of financing. Promoting the benefits of investing in the securities market through participation in workshops, round tables, forums, company visits and local self-government units.
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# CONSUMER AND HEALTH PROTECTION

## Findings and recommendations from the EC Report 2020

North Macedonia remains **moderately prepared** in this area. **No progress** was made on either consumer or health protection in the reporting period. In the coming year, the country should in particular:

- ▶ align the legal framework with the EU acquis on consumer protection, particularly with regard to the Law on Consumer Protection, and strengthen the operational structures serving consumer protection;
  - ▶ intensify efforts on tobacco control;
  - ▶ publish reports on the registers for cancer and individual rare diseases and ensure adequate funding and specialised knowledge for early detection and treatment, based on registers' data.
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# CONSUMER PROTECTION

## Current situation

A **new Law on Consumer Protection** was drafted within the UNOPS project Nordic Support for Progress of North Macedonia.

The draft law has been harmonised with several directives, as follows:

- Directive (EU) 2019/2161 amending Council Directive 93/13/EEC and Directives 98/6/EC, 2005/29/EC and 2011/83/EU with regards to better enforcement and modernisation of Union consumer protection rules;
- Directive 85/374/EEC on the approximation of the laws, regulations and administrative provisions of the member states concerning liability for defective products;
- Directive 1999/34/EC amending Council Directive 85/374/EEC on the approximation of the laws and regulations of the member states concerning liability for defective products;
- Directive 93/13/EEC on unfair terms in consumer contracts; Directive 98/6/EC on consumer protection in the indication of the prices of products offered to consumers;
- Directive (EU) 2019/770 on certain aspects concerning contracts for the supply of digital content and digital services;
- Directive (EU) 2019/771 on certain aspects concerning contracts for the sale of goods, amending Regulation (EU) 2017/2394 and Directive 2009/22/EC, and repealing Directive 1999/44/EC;
- Directive 2005/29/EC concerning unfair business-to-consumer commercial practices in the internal market;
- Directive 2008/122/EC on the protection of consumers in respect of certain aspects of timeshare, long-term holiday product, resale and exchange contracts;
- Directive (EU) 2020/1828 on representative actions for the protection of the collective interests of consumers and repealing Directive 2009/22/EC and Directive 2011/83/EU on consumer rights (Article 2 (1) Directive 1999/34/EC; Article 10 (2) Directive 93/13/EEC; Article 11 (1) Directive 98/6/EC; Article 11 (1) Directive 1999/44/

EC; Article 21 (1) Directive 2002/65/EC; Article 19 Directive 2005/29/EC; Article 16 (1) Directive 2008/122/EC; Article 28 (1) Directive 2011/83/EU).

Goals of the new Law on Consumer Protection:

1. Better informing and educating consumers about their rights;
2. Providing consumers with tools for quick dispute resolution;
3. Better realisation of consumer rights through effective market surveillance;
4. Further development of product safety policy;
5. Strengthening the independence and representativeness of consumer protection associations;
6. Strengthening the role of the local and regional self-government in the implementation of consumer protection policy.

As soon as the comments of the European Commission on the initial version of the Law are incorporated, the Law will be sent to a Government procedure for adoption.

**A new Consumer Protection Programme has been prepared for the period 2021-2022** and funds have been allocated for its implementation on an annual basis, in the amount of MKD 2,000,000, out of which MKD 1,650,000 are intended for non-governmental organisations. This is a horizontal Programme in which, in addition to the Ministry of Economy, includes activities of the State Sanitary and Health Inspectorate, the Food and Veterinary Agency and the Ministry of Education and Science - Bureau for Development of Education.

Within the framework of realisation of the Consumer Protection Programme for the period 2019-2020, activities were implemented for the programme tasks in 2020 by the non-governmental organisations that implement this programme, through a Public Call (Consumer Organisation of Macedonia - OPM, Consumer Organisations of Bitola, Tetovo, Ohrid, Kochani and Shtip). There were also activities related to the provision of a higher level of protection of the consumers' rights through online workshops held via the ZOOM platform:

- Informing and consulting for certification for fair treatment of consumers of financial services. The event was attended by relevant institutions and representatives of banks and financial companies.
- The novelties in the draft Law on General Product Safety and the draft Law on Technical Regulations for Products and Conformity Assessment were introduced, with representatives from OPM and the Ministry of Economy as well as representatives of ANEC - European Consumer Voice in Standardisation.
- Two ZOOM meetings on the possibility of an alternative way of resolving consumer disputes were held with students from 2 universities (South East European University and Kliment Ohridski University from Bitola) in order to get acquainted and educated about the possibility of alternative ways of resolving consumer disputes.

OPM also prepared two brochures as part of the Programme:

- Alternative ways of resolving disputes between consumers and traders,
- Dishonest advertising, in order to inform consumers about their rights in consumer relations, in cases where retailers behave dishonestly and how to identify dishonest advertising of products and services. The brochure is published on the OPM website: <https://opm.org.mk/>.

## Food and Veterinary Agency (FVA)

The Consumer Protection Department in the FVA analysed several legal regulations and situations, in order to identify problems in implementation, gaps in exercising of consumer rights as well as overlapping competencies, which also complicates the implementation of the regulations:

- Analysis of regulations and situations with presentation and advertising of food, because it is considered that this area has many weaknesses, which are closely related to consumer protection.
- Analysis of the situation and legal regulations related to stray dogs, irresponsible ownership and dog bites.

The

analysis was made because stray dogs, irresponsible ownership and dog bites are continuous problems the citizens have been facing for many years in the country. The aim is to determine whether the legal regulations are appropriate for the institutions to be able to respond adequately.

- Analysis of the legal regulations and situation in the country with online food sales (remote sale), especially because the online food sales have increased due to the new COVID-19 situation. The purpose is to identify weaknesses that prevent the control of this type of sales.
- An analysis of regulations from the Law on Quality of Agricultural Products and the rulebooks adopted based on this Law is underway, to determine the conflict of competencies with the Law on Food Safety.

Within the framework of the Consumer Protection Programme 2019-2020, the activities for 2020 have been implemented, which refer to the provision of a higher level of protection to the population group of preschool and school-age children in elementary schools that receive meals (food), or during their stay in kindergartens and schools. In cooperation with OPM (non-governmental sector) and scientific institutions, two manuals for food operators have been prepared, which provide guidance for good production and good hygiene practices and also include menu proposals that provide proper nutrition for these population groups:

- Manual for food operators preparing food for children in kindergartens
- Manual for food operators preparing food for children in schools

To exercise the rights of the consumers to be informed and educated, informative and educational contents and materials have been prepared on: Food safety; Be careful when consuming apricot seeds; How to buy food during the COVID-19 pandemic; The difference between natural and artificial honey; Stop the food waste; Heavy metals in food and their toxicity; Facilities for sale of food and catering facilities recommendations for consumers.

Regarding the COVID-19 pandemic situation, a translation was made of the WHO COVID-19 Guideline and food safety: a Guideline for food businesses and that Guideline was used as a basis for the preparation of three separate guidelines – for food operators, for consumers and food inspectors. The instructions and informative educational content are published on the website of the Agency, and some of them related to the pandemic are also animated

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through the media.

The Department of Consumer Protection analysed the possibility of establishing a system of control and records of online food sales, VMP, as well as other products that fall under the purview of the Agency.

The FVA is committed to the implementation of a certain type of desk control, with the possibility of further development of a system for control of online food sales in order to submit, connect and exchange data with inspection services, which would continue the control in the field. An argument in favour of this is the fact that there are discussions that indicate that, with the amendments to the Law on Electronic Commerce and the Law on Electronic Communications, there is likelihood that the responsibility for this type of sale will be imposed on the online platforms.

Concerning this matter, the Department of Consumer Protection made efforts and proposed activities in the Consumer Protection Programme for the period 2021-2022, which will provide practical advice to consumers when they buy food online – all of them organised in a Manual. In that direction, monitoring and introduction of data records have been established:

- List of websites that sell food online;
- List for registering operators who are selling food online;
- Database from tracking the online food sales;
- List of websites and operators selling food and other animal products.

To strengthen the network for consumer protection, activities were implemented in the Consumer Protection Council in the City of Skopje (council sessions, a programme, materials were reviewed under the programme for an approval and implementation).

## Bureau for Development of Education

Bureau for Development of Education (BDE): The activities for the education of students in the field of consumer protection as part of the educational process are realised continuously, according to the Programme for education for the protection of the consumer right for 2021/22.

The goal is to improve the information and education of students as consumers, acquiring of right habits, exercising of the rights of teachers and educators to be informed and trained in their respective roles.

To achieve this objective, the life skills curriculum is actively monitored

and promoted in elementary education, secondary education and different modules, forms, methods and techniques for educating students are realised in the student dormitories.

## MARKET SURVEILLANCE

### Food and Veterinary Agency (FVA)

In the period from January to November 2020, a total of 380 complaints and proposals from citizens were submitted to the Food and Veterinary Agency. The database was evaluated several times during the year. The analyses in a certain way showed the citizens' perception of the dangers and risks.

From the total number of complaints submitted, 9% refer to non-application of COVID-19 related to the measures in the food establishments. The largest percentage, that is, 43% of the total complaints submitted are in the area of veterinary medicine, health care and animal welfare. Complaints concerning stray dogs/ attacks and bites by stray dogs and irresponsible ownership remain particularly relevant in this area. Thirty-eight percent refer to the food of non-animal origin. Ten percent refer to the food of animal origin. According to the allegations, the complaints in the field of food refer to the following:

- Failure by the manufacturers to maintain control systems relating to good hygiene practices (GHP), good manufacturing practices (GMP)/ HACCP system and failure to implement COVID-19 related measures
- Expired products
- Pollutants/ contaminants and residues/
- Products with modified organoleptic properties
- Quality and food scams
- Suspicion of food poisoning

As part of the actions on complaints and proposals, 73 decisions were made, 9 samples were taken for laboratory tests, 27 fines were collected, 37 educations were conducted and 1 misdemeanour procedure was initiated. Apart from initiatives/ complaints from citizens, in this period the inspection services of the Agency realised the planned controls, as well as controls on other initiatives, out of which 13,100 inspection controls for food of non-animal origin, 16,674 control for food of animal origin and 13,482 controls in the field of animal health protection.

## State Sanitary and Health Inspectorate (SSHI)

As of 30 September 2020, the total number of complaints in 2020 is over 30. The complaints are resolved within the timeframe set by the Law on Protection of Patients' Rights. Complaints are submitted and answered at the level of all regional offices of the SSHI. For some of the complaints, expert supervision has been initiated, regarding the treatment of patients, to the Medical Chamber.

According to the Law on Patients' Rights, Commissions for the promotion of patients' rights were established in 32 municipalities in 2020. Offices for professional assistance have also been established in 30 regional offices of the HIF.

Given the situation with the COVID-19 pandemic, the SSHI plans increased activities regarding the establishment and functioning of the Commissions for Promotion of Patients' Rights, under the Law on Patients' Rights, from the second quarter of 2022.

The SSHI, as an inspectorate and body of the Ministry of Health, has a key role in dealing with the COVID-19 pandemic nationwide. The Inspectorate has its representatives in the Commission for Infectious Diseases, and it is the main body that issues Resolutions for isolation/ self-isolation for COVID-19 positive persons and of the contacts.

The SSHI has also issued over 12,000 licences for professional transporters. During the entire pandemic period, it was conducting supervision of the Protocols for carrying personal protective equipment (PPE) when working in hospitals, clinics, surgeries, markets, as well as in entities operating in circulation and production. The Inspectorate also prepared protocols for acting in elementary and secondary schools for the purpose of realisation of the educational process with physical presence of students in the new school year. The SSHI performed over 3,400 inspections in 2020 (as till 30 September 2020), of which 2,700 are extraordinary. Over 160 irregularities were found and they are being dealt with.

## State Market Inspectorate (SMI)

In the period from March to October, the State Market Inspectorate performed most of the supervisions under the protocols and decisions adopted by the Government, in order to prevent the spread of COVID-19.

- According to the Law on Product Safety, 234 inspections



were performed in 2020.

- Pursuant to the Law on Market Surveillance, 67 inspections were performed.
- Sixty one complaints from consumers related to product safety were processed.
- Based on the Law on Construction Products, 25 inspections were performed. Testing of construction products (cement and concrete) in an accredited laboratory was also performed. The examination procedure is ongoing.
- Eighteen unsafe products were withdrawn from circulation during 2020: 3 types of gas cylinders, 12 types of children's clothing, 3 different types of children's toys.

Inspectors from the Product Safety Department also attended online trainings: Training for personal protective equipment; Training on the Law on General Safety and the Law on Technical Regulations;

Pursuant to the Law on Consumer Protection, 200 complaints were submitted by consumers in the period from 1 March to 31 September 2020.

For the citizens to be able to submit their complaints, a new emergency telephone number was launched in the SMI (191) in the period covered by the recommendations for protection against the coronavirus. During 2020, the vehicle fleet of the State Market Inspectorate has been increased by another 10 new vehicles.

## The Organisation of Consumers as well as the counselling centres of the Organisations of Consumers of Tetovo, Kochani, Shtip, Bitola

Within the framework of the counselling centres of the Organisation of Consumers as well as the counselling centres of the Organisations of Consumers of Tetovo, Kochani, Shtip, Bitola and Ohrid, 1,143 complaints were submitted by consumers in the first half of 2020, that is, from 1 January to 30 June.

## Analysis by categories and type

The analysis made on the basis of the type and category of complaints indicates that most of the consumers' complaints refer to products. The most common of these are white goods, home

## area 3.28.1

products, technical products and appliances, as well as products for personal use (clothing and footwear).

There is a growing number of complaints related to online shopping, specifically illegal Facebook sales, as well as sales using other social media, where consumers are often deceived, by receiving products with different characteristics from those ordered, damaged products, receiving only a delivery note for the product, no cash register receipt issued or another valid document, etc. After these products are delivered, the consumers are unable to return or replace them. Consumers also complained about the long wait for product delivery or replacement regarding online purchases from legal and registered stores as well. In the field of services, the most common complaints are related to tourist trips (the most interesting are cases of cancellation or delay of package arrangements due to the Coronavirus crisis and provision of travel vouchers instead of refunds).

From the public services, the most common complaints are related to telecommunication services (for bills), electricity and heat energy (for high or obsolete bills).

Concerning specialist counselling, the most common problems faced by consumers are financial services provided by financial companies (quick loans). Consumers also had complaints regarding buying food, as well as management of the joint residential building, but they are in smaller quantities.

## Short-term priorities

### Ministry of Economy

- It is planned to adopt a Law on Consumer Protection;
- It is planned to prepare a Consumer Strategy with an Action Plan;
- It is planned to adopt a Law on Technical Regulations of Products and Conformity Assessment
- Informing consumers about the new Law on General Product Safety that is harmonised with the new Directives of the European Union and the new Law on Technical Regulations of Products and Conformity Assessment; Informing consumers about the possibilities for alternative dispute resolution and protection of their rights; Support to non-governmental organisations for consumer protection for implementation of the planned activities.

- Realisation of the Consumer Protection Programme for the period 2021-2022, regarding the 2021 activities, by the institutions participating with their own activities and in cooperation with the non-governmental sector for consumer protection.
- Cooperation with the consumer protection councils in the municipalities in order to strengthen the consumer protection network; Holding events, preparing content for media, campaigns, cooperation with non-governmental sector and institutions;
- In terms of capacity building, the Ministry of Economy intends to hire 2 persons in the Sector for Internal Market - Department for Consumer Protection and Free Movement of Goods.

## Food and Veterinary Agency (FVA)

- The FVA will continue with harmonisation with the EU legislation and with the implementation of the adopted regulations; The activities from the Consumer Protection Programme for the period 2021-2022 will be implemented;
- The FVA will take part in the implementation of the new Law on Consumer Protection and the Consumer Protection Strategy, especially in those provisions related to food;
- Preparation and posting of educational information materials intended for consumers on the FVA website; Updating the database of complaints in the field of food and veterinary medicine and analysis of the same; Cooperation with the Consumer Protection Councils in the municipalities in order to strengthen the consumer protection network; Monitoring, controlling and recording data on the online sale of food, but also on other products that are under the competence of the Agency; Holding forums, events, preparing content for media, campaigns, cooperation with the non-governmental sector and institutions.

## State Sanitary and Health Inspectorate (SSHI)

- The SSHI will continue to implement supervisions for monitoring of the implementation of the Law on Patients' Rights, in an increased volume and number

(regular, extraordinary, upon a submitted report or complaint); Regular preparation of Reports on dealing with complaints submitted by patients, continuously throughout the year, as well as on regular inspections, under the Law on Protection of Patients' Rights; The SSHI will continuously supervise (increased number of extraordinary and regular supervisions) in terms of health safety of children's toys, cosmetics and products for general use.

- Dealing with the COVID-19 pandemic continues to be the Inspectorate's priority, as well as the supervisions and activities that arise from the current situation on a daily basis, and the Government is properly informed using a relevant Form for that purpose.

## Bureau for Development of Education

- Preparation of own annual plans according to the Consumer Education Programme for 2021/22 for the school population on various topics and contents in the field. Attention will be paid to e-commerce, product safety and consumer / student satisfaction. Companies will be encouraged to keep track of the level of satisfaction regarding their products and services to consumers, to conduct marketing activities for measurement of consumer satisfaction related to market research; education of teachers and students on the consumer law, its importance for protection, on project activities/ free classes, classes for business and entrepreneurship, free student activities, extracurricular activities, etc.;
- Support for the elementary school teachers for delivery of the Consumer protection topic. These are teachers who teach the Life Skills subject, through trainings planned and implemented by the Bureau;
- Organising workshops/ debates with teachers and students from secondary schools; educators and students from dormitories on the needs of young people for the protection of consumer rights, as well as other risks they face when shopping during the pandemic and afterwards;
- In terms of capacity building, the Ministry of Economy plans to hire 2 persons in the Sector for Internal Market - Department for Consumer Protection and Free Movement of Goods. The FVA plans to hire 1 person in the Organisational Unit for Consumer Protection.

## Medium-term priorities

### Ministry of Economy

- Implementation of activities from the Consumer Protection Programme for the period 2021-2022 is planned;
- It is planned to adopt a Consumer Protection Programme for the period 2023-2024;
- Preparation and analysis of a new Law on Alternative Dispute Resolution is planned;
- In terms of capacity building, the Ministry of Economy plans to hire 2 persons in the Sector for Internal Market - Department for Consumer Protection and Free Movement of Goods.

### State Market Inspectorate

- During 2021, the State Market Inspectorate plans to continue and increase the activities for implementation of the new Law on General Product Safety and the Law on Technical Requirements and Conformity Assessment of Products and to more actively participate in the activities planned in the National Strategy for Consumer Protection. The Inspection Council also plans to introduce inspection supervision software, which would shorten some procedures.
- In terms of capacity building, new employments are planned in the SMI, that is, increase of the number of inspectors in all inspection departments.

### Food and Veterinary Agency (FVA)

- Implementation of activities from the Consumer Protection Programme for the period 2021-2022 is planned;
- FVA will continue its activities for implementation of the new Law on Consumers and the activities planned in the National Strategy for Consumer Protection.

## State Sanitary and Health Inspectorate (SSHI)

- SSHI will be actively involved in the activities planned in the National Strategy for Consumer Protection, activities related to establishment and functioning of the Commissions for Promotion of Patients' Rights, under the Law on Patients' Rights;
- Implementation of activities from the Consumer Protection Programme for the period 2021-2022 is planned;
- In terms of capacity building, the SSHI plans to introduce a new Department for Consumer Protection and envisages hiring of 2 persons.

## Bureau for Development of Education (BDE)

- BDE will expand the educational programme in the schools and dormitories and will work on the education of students with special needs on the same issues. Over the same period, the BDE will work on strengthening of the cooperation between the institutions involved in consumer protection education and support to the non-governmental sector in the field of consumer protection;
- Trainings, seminars, workshops, debates for students, with the possibility of preparing informative educational materials for the students regarding the application of the consumer law, materials on the consumer law intended for schools, for student dormitories and even for children with special needs;
- Organising special forms on the same topic intended for students in schools with special educational needs adapted (modules) according to their needs.

# PUBLIC HEALTH

## Current situation

### Horizontal measures

Activities for ensuring availability and appropriate geographical distribution of primary health care are continuously implemented. Activities have been started in order to increase the number of health institutions that will be included in the health care network. A special Sector Working Group called "Health" has been established for the preparation of programme documents and implementation of programme activities through IPA 3 funds. Preparation of the Health Strategy 2030 is underway, which will be focused on the modernisation and development of the health system of North Macedonia during the next decade, in order to improve the health status of the population and the health care of all citizens.

The activities for procurement of new modern medical equipment continue, as well as the investments for reconstruction and renovation of the health institutions. Two accelerators have been installed (in the General City Hospital "8 September" and in the Clinical Hospital in Bitola) and training has been completed for the persons who will operate the accelerator in the General City Hospital "8 September".

All necessary measures have been taken to protect the population from the spread of COVID-19. Since the first COVID case appeared in February 2020, until today, all health facilities and resources have been made available in order to successfully manage the pandemic. The laboratory capacity for diagnostics has been increased, several services have been digitalised, final-year undergraduate students at the Medical Faculty are engaged to support the epidemiological teams with contact identification activities, the medical staff of the specialised internal medicine clinics in Skopje are reassigned to work with COVID patients and the overall health system is fully mobilised to provide health care to all in need. To increase the capacity of the general hospitals in the country, modular COVID-19 hospitals were installed on the Campus of University Clinics and Institutes "Mother Teresa" Skopje, as well as prefabricated (field) hospitals in 16 municipalities according to an initially agreed plan.

Due to the strong autumn wave of COVID-19, on 20 November a state of emergency was declared throughout the country, for the Government to be able to manage the resources of state



administration bodies, public enterprises, municipalities and the city of Skopje, as well as private health resources, depending on the needs. Measures have been introduced to restrict movement and gatherings, and the measures for mandatory wearing of face masks, frequent hand washing, maintaining physical distance of two metres are constantly in force.

The Republic of North Macedonia has joined the global procurement of COVID-19 vaccines through the COVAX mechanism for the provision of global and equitable access to safe and effective COVID-19 vaccines, the EU vaccine procurement mechanism, including several direct bilateral agreements. In April 2020, the Minister of Health signed the Agreement for Joint Public Procurement of Medical Countermeasures between the European Commission and EU member states.

## TOBACCO CONTROL

The 10 Centres for Giving up from Smoking within the Centre for Public Health (CPH) operate with reduced intensity due to the COVID-19 situation, and only 65 citizens requested services of these counselling centres in the period January-November 2020.

Due to the COVID-19 pandemic and the measures that were introduced to limit the working hours, that is, the operation of the restaurants was banned and the educational facilities were closed, and due to the engagement of the SSHI because of the pandemic, the number of controls for compliance with the Law on Protection from Smoking in Health, Educational, Social Institutions and Catering Facilities was reduced.

The ratification process of the Protocol for Elimination of Illicit Trade in Tobacco Products was initiated in early November 2019. Gap analysis of the Protocol is being prepared, after which an Action Plan with a time frame for implementation of the Protocol will be prepared.

## COMMUNICABLE DISEASES

All activities for monitoring communicable diseases during the COVID-19 pandemic are taking place in a special situation, and the main emphasis is placed on the pandemic caused by the SARS-CoV-2 virus.

The IPH epidemiologists participate at webinars, web meetings and conferences on various topics related to monitoring and prevention of COVID-19 (surveillance, quarantine, isolation, contact monitoring, vaccines and vaccinations, monitoring of the current state of morbidity and mortality/ lethality, the situation in other countries, etc.). A large number of educational trainings have been organised for epidemiologists and for students/ graduates who have been engaged by the MoH to assist in surveying and recording of the surveys in special databases. The IPH has developed databases for monitoring positive cases, in which all the necessary information is entered and through which processing, statistical analysis and daily reports on the situation with COVID-19 are performed, including weekly information with epidemiological comments. All information and data on each case is shared with the international reference institutions WHO and ECDC.

An Epidemics and Public Health Emergency Operations Centre has been set up to provide centralised real-time information, monitoring and reporting, and advice on the response to public health events and emergencies. The renovation of the Laboratory of Virology at the Institute of Public Health of the Republic of North Macedonia has been completed and new equipment has been provided – a cabinet with biosecurity level 3. The laboratory also received a certificate of competency for the detection of SARS-CoV-2 by the European Centre for Disease Prevention and Control (ECDC). The National System for Electronic Health Records - *MyAppointment* has been upgraded with new modules to address the necessity to deal with COVID-19. Modules have been developed that include the testing process for COVID-19, records of patients receiving home treatment, as well as a register of positive cases (all data from all laboratories performing testing). Additional modules are being developed that will complete the entire recording process, starting from the testing, through surveying and finding contacts with a positive case, to issuing isolation resolutions.

During 2020, the pharmaceutical inspectors from the Agency for Drugs and Medical Devices performed 346 supervisions in the retail and wholesale trade of drugs, and the segment of mandatory issuance of antibiotics with prescription was also controlled.

## NON-COMMUNICABLE DISEASES

**Cancer:** The software solution for the Cancer Registry has been completed, and rulebooks for reporting malignant diseases and maintaining of the Registry have been adopted. Presentations were held in September and October for about 120 users from health care institutions, as well as for persons from the Centres for Public Health who will have the role of coders and who were presented with the software solution and its functionalities.

In the framework of the Health Info project which is part of the INTERREG IPA Cross-Border Cooperation Programme with Greece, educational workshops were held in September 2020 for specialist radiologists and radio technicians, to provide advanced training on best practices related to early detection of breast cancer, for doctors from the Clinical Hospital in Bitola and the General Hospital in Gevgelija. The project also procured equipment (mammogram and echo device) that screens for breast cancer and cervical cancer and covers the population of women from smaller rural municipalities.

**Food and nutrition:** The Institute for Public Health and the FVA worked in 2020 on the conversion of the data collected from the Study of nutrition of children aged 1 to 9 years, according to the EU-MENU methodology, in order to harmonise them with the FoodEx2 nomenclature. At the request of the Ministry of Education and Science, amendments to the Rulebook on standards for nutrition and meals in elementary school were prepared, which achieve alignment with the Law on Elementary Education and update in compliance with the Guidelines for nutrition of the population.

**Mental health:** The Ministry of Health, in cooperation with the Clinic for Psychiatry, opened several telephone hotlines for psychological support for adults, children, pregnant women and mothers, people with hearing, speech and voice disorders, as well as psychological support for people in self-isolation during the COVID-19 period. A Manual for Managing Mental Health of the Health Workers during the COVID-19 pandemic has been prepared. This Manual provides advice and recommendations to all mental health professionals in the situation of COVID-19.

**Violence and health:** A National Strategy (2020-2025) and Action Plan (2020-2022) for the prevention and protection of children from violence have been prepared. In the period June - August 2020, 4 online workshops were held for 80 participants in order to strengthen the capacities in primary health care for prevention of gender-based violence (GBV) among persons with disabilities. A new curriculum for GBV workshop and a webinar has been accredited regarding GBV against persons with disabilities, intended for patronage nurses. A new Handbook on Gender-Based Violence against Persons with Disabilities has been

prepared and printed in Macedonian and Albanian. In collaboration with the London School of Hygiene and Tropical Medicine and the WHO, research has been conducted on violence during the COVID-19 epidemic in several European countries. In cooperation with the WHO, a webinar was held for adaptation and updating of the WHO curriculum (third edition) for TEACH VIP (intended for education and training on violence and injury prevention). As part of the activities to mark the World Day of Remembrance for Road Traffic Victims, appropriate material has been posted on the website of the Institute of Public Health, which will also be posted on the Microsoft Teams online platform for education of students at UKIM Medical Faculty for all study programmes.

## BLOOD, TISSUE AND ORGANS SAFETY

**Blood safety:** The blood donor agitators were synchronised with the electronic system of donors - e-Delphyn, to transmit data for the purpose of monitoring the donation flow (donor, puncture, donation time, donated quantity, etc.). Ambient temperature traceability systems have been introduced in ITM-Skopje, RC Bitola, RC Shtip and RC Tetovo, in accordance with GMP guidelines. Automatic (electronic) temperature monitoring is established in the storage chambers of blood and blood components and in the refrigerators for storage of reagents and drugs. Fully automated immune-haematological testing of donor blood has been introduced, with an automated transfer of results to the electronic system e-Delphyn, including fully automated immune-haematological testing of blood from patients, with automated transfer of results to the electronic system e-Delphyn. Reconstruction of the Unit for Haemostasis and Thrombosis was carried out in the Centre for Haemophilia at ITM-Skopje, in the premises intended for specialist consultative activity in ITM-Skopje for patients with haemostatic disorders, as well as reconstruction and arrangement of RC Bitola. The Institute of Transfusion Medicine (ITM) has procured a plasmapheresis cell separator that is now used for donation of covalent plasma for COVID-19 patients, according to WHO, EDQM and EMA recommendations.

**Transplantation:** In the field of transplantation, in addition to the kidney transplantation from a deceased donor, which was also performed in the past, the Transplantation Programme for 2020 also included liver, heart, bone and bone tissue transplantation as well as corneal transplantation. After plans were made for starting with multi-organ transplantation, preparations were carried out for heart,

liver, and bone and bone marrow transplantation. All the necessary administrative documents have been prepared, as well as the Protocols for transplantation of these organs, which are in accordance with the Eurotransplant protocols. At the same time, National waiting lists for kidney, heart, liver and bone and bone tissue transplantation have been prepared by the Ministry of Health, involving patients who are fully prepared for transplantation. On 22 May 2020, in a situation of a special regime for the health institutions due to the COVID-19 pandemic, the first multi-organ transplantation was performed at the University Clinic of State Cardiac Surgery, whereby for the first time a heart transplant was performed from a deceased donor. Additionally, kidney transplants were performed in two patients.

## MEDICINE FOR HUMANE AND VETERINARY USE

**Medicine for human use:** The Agency for Drugs and Medical Devices completed, in March 2020, the Twinning project "Alignment of legislation on medical products and capacity building for its implementation", implemented together with the Lithuanian Drug Agency. The main objective of the project was to support the harmonisation with international standards and good pharmaceutical practices, as well as the adoption and implementation of national legislation on pharmaceutical products in accordance with EU legislation. In that direction, several expert missions were realised, as well as several study visits. According to the recommendations received, preparations of the draft Law on Medicines and the draft Law on Medical Devices are in progress.

**Veterinary medicines:** In 2020, 5 bylaws were drafted in accordance with the amendments to the Law on Veterinary Medicinal Products (241/18), which were necessary for full implementation of this Law.

## SOCIAL AND ECONOMIC DETERMINANTS OF HEALTH AND HEALTH INEQUALITIES

**Occupational health and safety:** To prevent and control SARS-CoV-2 infection in workers at work, many different specific measures, recommendations and guidelines were prepared and published for different industries and sectors, aimed at reducing the risks of virus exposure among the working population, intended for employers and workers. The Institute of Occupational Medicine, in cooperation with the Organisation of Employers, organised a series of educational webinars during June-July on "COVID-19 and OHS Perspective". The Institute developed recommendations and measures for the prevention and control of the spread of SARS-CoV-2 infection, targeting specific groups of workers. As part of the Programme for assessment of the health situation and working ability of farmers, an epidemiological survey was conducted on 100 farmers from several rural settlements in order to obtain data on the presence of occupational hazards and risks, as well as data on the current health status of the respondents. As part of the programme activity aimed at promoting the health of the health professionals, recommendations and measures for the prevention of work-related stress and burnout syndrome in health professionals have been developed and defined. An algorithm for assessing psychosocial risks in the workplace among health professionals has been developed and measures have been created to deal with work-related stress among health professionals, including a recommendation of activities to eliminate or reduce the stress factors at the workplace.

**Rare diseases:** The Register of Rare Diseases and Patients with Rare Diseases is in operation, which includes patients with diseases listed on the ORFAN list of rare diseases (revised in January 2019, thus achieving alignment with the EU definition of rare diseases). Two new drugs for rare diseases have been secured through the Programme for rare diseases.

### Short-term/ Medium-term priorities

#### Horizontal measures

It is planned to adopt the Health Strategy 2030, as well as to continue the implementation of measures for the protection of

the population from COVID-19. Work will be done regarding the preparation of project activities that would be financed through IPA 3. Activities for procurement of medical equipment will continue, and the training for the persons who will work with the linear accelerator in KB Bitola, which was cancelled due to the COVID 19, will now be conducted.

An application for TAIEX technical assistance for implementation of the cross-border healthcare Directive will be prepared.

In the medium term, adoption of the Health Strategy 2030 and the AP is envisaged, including implementation of the foreseen activities, as well as a realisation of projects through the Strategic Response of IPA 3.

**TOBACCO CONTROL:** It is planned to implement the measures and activities for the promotion of healthy lifestyles and to continue the work of the counselling centres for giving up smoking. The intention is to prepare an Action Plan for ratification of the Protocol for the elimination of illicit trade in tobacco products.

**COMMUNICABLE DISEASES:** With the support from the WHO, a Protocol for sero-epidemiological study of the general population in the country has been developed. It is planned to prepare the necessary procedures for training of the staff involved and to implement the envisaged methodology for initiation of the study.

Continuous implementation of the annual preventive public health programmes will continue, the programme activities will be updated, and the programme activities for HIV/AIDS and TB will continue to be implemented through the annual programmes of the MoH. It is planned to adopt a Law amending the Law on Protection of the Population from Communicable Diseases, for its additional harmonisation with the EU measures 32013D1082, 32018D0945, 32017D0253.

In 2022, the preparation of the new Strategy for HIV/ AIDS for the next 5 year period will begin.

In the medium term, activities will be carried out to raise public awareness about the benefits of vaccination of children and the danger to their health in case of rejection of the vaccination, including activities for implementation of the AP for control of communicable diseases.

**NON-COMMUNICABLE DISEASES:** A study for population assessment of the risk factors in the adult population in the country will be initiated, the results of which will be used as a basis for future policies.



**Cancer:** It is planned to start the entry of data in the Cancer Registry, to organise workshops and educations for the coders from the Centres for Public Health and the responsible persons from the Institute of Public Health, and at the same time to translate the publications related to cancer registration. In terms of software solutions, the modules for preparation of reports will be developed, following the internationally established rules.

**Addictions:** Activities for online interventions aimed at drug users are expected to continue, as well as the work of the Youth Counselling Centres for Prevention of Drugs and Other Psychoactive Substances and the Daily Centre for Resocialisation and Rehabilitation of Drug Users and Their Families. It is planned to adopt a new Drug Strategy with an action plan. The medium-term plan is to implement the activities envisaged in the Drug Strategy and the AP.

**Injuries and violence:** The implementation of the activities envisaged by the Strategy for Prevention of Domestic Violence and the Strategy for Road Traffic Safety will continue following the Action Plans for Health and the new legislation. In cooperation with EUROSAFE, research will be conducted on injuries at home and during recreation.

**Mental health:** The activities of the annual programme for the treatment of people with mental illness and the Mental Health Strategy will be implemented continuously. Activities aimed at opening new mental health centres in the communities will continue. The implementation of the two multi-year scientific research projects, RECOVER-E and IMPULSE, financed by the Horizon 2020 programme of the European Commission, will continue.

It is planned to expand the e-services for mental health in order to enable their provision during the COVID-19 pandemic, as follows:

- Establishment of online forums for support and informatio;
- Mental health services for pregnant women and mothers;
- Establishment of a platform for tele-psychiatry and tele-psychotherapy;
- Education and support for families with children at risk, and/ or staff in residential institutions for children;
- Development and provision of additional digital tools and platforms for the continuous support of the mental health of the health professionals in a situation of COVID crisis;

- Development and provision of additional digital tools and platforms for the continuous support of children and persons with autism and children/ persons with speech and hearing problems.

**Sexual and reproductive health:** The activities set out in the Programme for Active Protection of Mothers and Children aimed at reducing mortality and morbidity of pregnant women and infants will be continued. The activities under the cooperation agreement signed between the Ministry of Health and the United Nations Population Fund (UNFPA) for reducing maternal and neonatal mortality will also continue.

It is planned to implement the activities from the Master Plan for perinatal health for a period of 5 years.

**Food and nutrition:** it is planned to implement the activities envisaged by the Public Health Programme.

In the medium term, measures will be initiated regarding the availability and protection of children from inadequate advertising of foods rich in saturated and trans fats, sugar and salt. The collection of data related to childhood obesity will continue and the results thereof will be used as a basis for policies aimed at dealing with that increasing health risk in the children population.

According to the Strategy for Diabetes 2020-2030, starting from 2022, activities related to education on risk factors for diabetes and reduction of risk factors will be implemented as part of the Public Health Programme, with particular emphasis on overweight and obesity, as well as:

- Organised activities for promotion and improvement of the conditions for physical activity and healthy nutrition, in cooperation with the central and local government bodies, institutions, working organisations,
- Introducing a tax on sugary and fatty products,
- Compulsory education for overweight and obese people.

## BLOOD, TISSUE AND ORGANS SAFETY

**Blood safety:** It is planned to introduce a cold chain for transporting blood in the 17 transfusion medicine services to the regional

transfusion medicine centres. It is also planned to introduce automated separation of donor blood into blood components in RC Bitola, RC Shtip and RC Tetovo, as well as the introduction of NAT technology for control of donor blood for diseases transmitted by blood and blood components. In the medium term, it is planned to start fractionation of plasma obtained from voluntary donors, in agreement with a European company for plasma processing.

**Transplantation:** It is planned to prepare software for the National Lists of heart, liver, and bone and bone tissues following the example of the kidney software, to increase the number of teams working in the field of cadaveric transplantation, as well as to start preparations for an organ donation promotion campaign in the country. The first bone and bone bank in the country is also planned to start operating.

It is planned to conclude teaching and training agreement with Eurotransplant countries for integration into the global network of Eurotransplant.

In the medium term, it is planned to increase the budget for the Transplant Programme, which will provide a broader framework for the development of this area of medicine, in order to increase the number of transplants from a deceased donor. It is also planned to work on the development and increase the number of multiorgan transplants (kidneys, heart, liver, bones and bone tissue, and cornea). Activities are planned for quality assurance of organs according to the Eurotransplant norms. The process of cooperation with Eurotransplant countries (Croatia, Slovenia) will continue with regard to teaching and training, within the framework of the signed cooperation protocol, with the intention of including North Macedonia as an active Eurotransplant member. The education of anaesthesiologists from all hospitals in the country where there are intensive care units will continue, in order to increase the number of transplants from a deceased donor, as well as further education of the entire medical staff for transplantation. It is planned to launch an active campaign to educate the population on the benefits of organ donation, in order to increase the number of consents for organ donation.

## MEDICINE FOR HUMANE AND VETERINARY USE

**Medicines for human use:** It is planned to adopt the new Law on Medicines and the Law on Medical Devices. In the medium term, it

is planned to prepare the relevant bylaws in order to align with the new legal provisions..

**Veterinary medicine:** Following a gap analysis between the existing national legislation on veterinary medicinal products and the new EU Regulation on Veterinary Medicinal Products (Regulation (EU) 2019/6) which enters into force in 2022, it is planned to prepare a draft amendment to the Law on Veterinary Medicinal Products (or a new law), as well as the relevant bylaws.

## SOCIAL AND ECONOMIC DETERMINANTS OF HEALTH AND HEALTH INEQUALITIES

**Occupational health and safety:** It is planned to adopt a new Law on Occupational Health and Safety in 2021, as well as a new Strategy for Occupational Health and Safety and Action Plan for its implementation, for the period after 2020, as a continuous development of the strategic documents in the field of OHS.

Through the National Programme for Public Health 2021, the Institute of Occupational Medicine will continue to conduct health examinations to assess the working ability of the farmers, as well as to improve the health of the health workers, with a focus on mental health in the context of COVID-19 pandemic. It is planned to organise intersectoral workshops on this topic, as well as to conduct trainings for health professionals and managers of health institutions, for prevention of work-related stress, through the application and adaptation of the WHO/ILO Handbook "Health WISE - Work Improvement in Health Services - Action Manual".

In the medium term, implementation of the new Strategy and Action Plan for occupational health and safety is planned. Development and implementation of the National Programme for protection and promotion of health of the health workers is also planned, as well as trainings, seminars, workshops, educational meetings for various target groups (professionals, workers and employers) on certain issues in the field of occupational safety and health.

**Rare diseases:** The continuous implementation of the activities from the Programme for Rare Diseases will continue. It is planned to develop a National Strategy for Rare Diseases. In the medium term, it is planned to establish a special fund in order to provide additional funding for the provision of drugs and diagnostics.

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# CLUSTER 3





# COMPETITIVENESS AND INCLUSIVE GROWTH





Short and medium-term priorities in the **cluster Competitiveness and inclusive growth** are also closely related to the promotion of economic growth and development of the country, monitoring of Digitalisation and modernisation of the industry, improvement of education systems and social policies in order to improve skills, to address the labour market needs and reduce the unemployment and poverty. The Cluster covers the reforms related to information society and media, industrial policy, economic and monetary union, taxation and customs, social policy and employment, as well as education and culture, and science and research.

The cluster covers several Chapters (10, 16, 17, 19, 20, 25, 26 and 29). Further harmonisation of the legislation is planned in all chapters, as well as the development of **integrated information systems**. Existing or medium-term and long-term strategies such as the **National ICT Strategy** and Information Security Strategy, the **National Broadband Plan**, the **Tax Reform Strategy**, the **Social Policy and Employment Strategies** – are all being implemented. Active measures are also being implemented regarding employment and **poverty reduction**, **Strategy for Occupational Health and Safety**, protection of vulnerable groups, protection of **children**, non-discrimination and equal opportunities, **Strategy for Roma**, Industrial strategy, **Strategy for Smart Specialisation**, **Strategy for Scientific and Research Activity** and roadmap for research infrastructure, **Strategy for Education**, **Strategy for Culture and Protection of Cultural Heritage**, **Strategy for Youth**, etc.

The Cluster is directly linked to the **Fundamentals** Cluster - democratic institutions and economic governance, Internal Market, and with the Green Agenda and sustainable connectivity, Resources agriculture and cohesion and External relations. The alignment of the *economic and tax policies* from this Cluster with **Cluster 4** - Green agenda and sustainable connectivity, and **Cluster 5** – Resources, agriculture and Cohesion, are **networked components of sustainable development**, which should be incorporated in the **National Development Strategy (2021-2041)**. This cluster, through the *development of the information society*, as well as *social policies, education, science and research, innovation, and culture*, is horizontally linked across all clusters.

The priorities of the Competitiveness and inclusive growth Cluster are related to the **strategic priorities** of the Government in terms of accelerated and sustainable economic growth, higher standard and quality of life, creation of a modern and efficient administration, Digitalisation and quality education accessible to all.

Priorities are related to the objectives and structural reforms of the **PER**, such as *business environment and reduction of the informal economy, employment and labour market, social protection and inclusion, development of the industry sector, research, development and innovation and digital economy and education and skills and smart specialisation*.

In terms of the Instrument for Pre-Accession Assistance (**IPA-3**), the reforms are related to WP4: Competitiveness and inclusive growth and WP2: Good governance, the *acquis*, good neighbourly relations and strategic communication.

The **UN** Strategic Development Goals (**SDG**) for Poverty and Hunger Reduction, *Quality Education for All and Infrastructure, Job Development, Industrialisation and Innovation* are also addressed through reforms in this Cluster.

In terms of **financial resources** planned, about EUR 1.8 billion are provided for the reforms in this Cluster from the national budget and about EUR 180 million from IPA and other donor assistance for the next five years (including loans).

# INFORMATION SOCIETY AND MEDIA

## Findings and recommendations from the EC Report 2020

The country is **moderately** prepared in the field of electronic communications and information society. **Some** progress was made during the reporting period as the country is advancing in preparations for the long-term information and communication technology (ICT) strategy, established a national Broadband Competence Office (BCO) and enhanced e-government services. The national population register and the national e-portal for services became operational, offering digital access and electronic services to citizens and businesses.

As some of the 2019 recommendations have not been fully implemented, in the coming year the country should in particular:

- ▶ finalise the long-term information and communication technology (ICT) strategy;
- ▶ strengthen the independence and capacity of the media regulator and the public service broadcaster;
- ▶ continue to implement the action plan for introducing the 112 emergency number and allocate the necessary financial resources.

# SUMMARY

It is planned to adopt amendments to the Law on Electronic Communications, which should be harmonised with the new EU Directive on Electronic Communications (European Electronic Communications Code), as well as with the package of laws related to construction (obligation arising from the NOBP).

A Law on Ratification of the Protocol (CETS No. 223) for amendments to the Convention for Protection of Individuals with regard to Automatic Processing of Personal Data (ETS No.108) will be adopted.

Directive (EU) 2016/680 on the protection of natural persons with regard to the processing of personal data by competent authorities for the purposes of the prevention, investigation, detection or prosecution of criminal offences or the execution of criminal penalties, and on the free movement of such data, will be transposed (the so-called Police Directive).

The process of adopting bylaws in accordance with the new Law on Personal Data Protection will continue, as well as the preparation of guidelines for practical implementation of the Law. An analysis will be initiated on the need to prepare an Electronic Code, which would be a codification of the systemic laws that ensure the digital transformation of public sector institutions. The preparation of the Law on Security of Networks and Information Systems has started. This Law fully transposes the NIS directive. In the medium term, amendments to the Law on Audio and Audio-Visual Media Services are envisaged in order to harmonise the domestic legislation with the latest amendments to the EU Directive on Audio-Visual Media Services.



# ELECTRONIC COMMUNICATIONS AND INFORMATION SOCIETY

## Current situation

### Legal framework

In the framework of the Digital Summit 2020, a Memorandum of Understanding was signed with the Western Balkan partners on a 5G roadmap for digital transformation of the Western Balkan region.

Several reports on the broadband development in the Republic of North Macedonia (according to DESI) were adopted and published, and as of April 2020, the National Broadband Competence Office (NBCO) has been established on the network of European Broadband Competence Bodies (BCO network).

In February 2020, a new Law on Personal Data Protection was adopted<sup>72</sup>, complying with the General Regulation on Personal Data Protection of the European Parliament and of the Council (EU) 2016/679 (GDPR). By virtue of this Law, the Directorate for Personal Data Protection is renamed into Agency for Personal Data Protection (APDP).

Thirteen bylaws arising from the new Law on Personal Data Protection have been adopted<sup>73</sup>.

In March 2021, the Agency for Electronic Communications adopted the Plan amending the Plan for purpose of radio frequency bands in the Republic of North Macedonia<sup>74</sup> and the Plan amending the Plan for allocation and use of radio frequencies<sup>75</sup>.

The implementation of the **emergency number 112** was supported with IPA 2 funds from 2016 and in cooperation with the EU Office in Skopje, with final realisation of these funds by 2020. The completion of the delivery, the installation thereof and putting into use of this number should be carried out within a year, by the end of 2021. The Ministry of Defence, as a competent institution, and the Centre for Crisis Management, with foreign support, are working on amendments to the Law on Crisis Management, in order to incorporate the emergency number E-112 in the legal framework.

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72 Official Gazette No. 42/20

73 Official Gazette No. 122/20

74 Official Gazette No. 50/21

75 Official Gazette No. 60/21

## Short-term priorities

### Legal framework

During 2021-2023, an analysis of the Directive 2018/1972 establishing the European Electronic Communications Code will be carried out, in order to make appropriate preparations for its transposition in the domestic legislation. This analysis will take into account the practices of the European Union member states.

During 2021, AEC will amend the following bylaws:

- Rulebook amending the Rulebook on the construction of public electronic communications networks and associated means;
- Rulebook on amending the Rulebook on the provision of services covered by the universal service;
- Rulebook on the manner of calculation of the annual fee for use of radio frequencies;
- Rulebook on amending the Rulebook on radio frequencies allowed for use without radiofrequency use licence;
- In terms of the National Operational Broadband Plan, the inter-institutional activities in the field of construction will be harmonised, to simplify the procedures for construction of optical networks, and especially 5G technology;
- According to the Government Work Programme 2020-2024 and the National Operational Broadband Plan (NOBP), free internet will continue to be provided by providing new wireless access points, thus encouraging the development of tourism but also enabling coverage and use of the Internet in remote areas of the country;
- Under the coordination of MISA, and in cooperation with the World Bank, an application for technical assistance

was submitted for preparation of a Feasibility Study for construction and development of a National Transport Optical Network (NTON), as part of the National Operational Broadband Plan (NOBP) – all as part of the WBIF programme;

- Starting from 1 July 2021, it is planned to abandon the additional tariffing for roaming services in the five countries of the Western Balkans, that is, prices for the roaming services are introduced which are equal to the prices of electronic communications services in the domestic market, regardless whether it is about calls, talks, SMS or Internet use (Roam like at Home). The use of roaming services with these benefits will be regulated in accordance with the Rulebook on fair use policy and assessment of the sustainability of the abolition of retail roaming surcharges and on the application to be submitted by a roaming provider for the purpose of that assessment. The prescribed fair use and sustainability policies eliminate the possibilities for abuse and maintain the sustainability in the financial operations of the providers;
- According to the amendments to the Rulebook on ensuring security and integrity, AEC will focus on receiving and processing the submitted information for the assessment of the security and integrity of the networks and services of the operators;
- A Law on Ratification of the Protocol (CETS No. 223) for amendments to the Convention for the Protection of Individuals with regard to Automatic Processing of Personal Data (ETS No.108) will be adopted;
- Directive (EU) 2016/680 on the protection of natural persons with regard to the processing of personal data by competent authorities for the purposes of the prevention, investigation, detection or prosecution of criminal offences or the execution of criminal penalties, and on the free movement of such data, will be transposed (the so-called Police Directive).
- The process of adoption of bylaws in accordance with the new Law on Personal Data Protection will continue, as well as preparation of guidelines for practical implementation of the Law;
- Activities will be implemented on harmonisation of the sectoral legislation with the new Law on Personal Data Protection and documents of the Council of Europe, the European Commission and the good practices of the EU member states;
- The position of the Agency as an independent supervisory



body will be continuously strengthened, following the criterion for independence defined in the new Law on Personal Data Protection;

- The implementation of the European emergency number E-112 is expected to be completed by the end of 2021.

## Medium-term priorities

### Legal framework

- It is planned to adopt amendments to the Law on Electronic Communications in order to harmonise the domestic legislation with the new EU Directive on Electronic Communications (European Electronic Communications Code), including harmonisation with the package of laws related to construction, as well as the activities arising from the National Broadband Operational Plan (NBOP);
- Under the coordination of MISA, and in cooperation with AEC, the Public Enterprise “Macedonian Broadcaster” (PE MRD) and the National Broadband Competence Office (NBCO), the process of updating the white, grey and black zones in the country will be initiated;
- The adoption of the rules for laying cable sewerage installation will provide the infrastructure capacity necessary to meet the following strategic objective: achieving the national targets for fixed broadband set in the NOBP, further development of the Government optical network with an appropriate degree of redundancy, provision of cable sewerage for the needs of the security services in the country, the optical connection of free Wi-Fi points throughout the country, as well as conditions for the development of the Fourth Industrial Revolution (4IR);
- Preparation of a Feasibility Study for construction and development of the National Transport Optical Network, in accordance with the priorities of the Government Work Programme (2020-2024);
- Development of NTON (National Transport Optical Network) so that PE MRD will start with partial construction of NTON for broadband internet. For this activity, software applications for monitoring, management, mapping and planning of telecommunication networks will be introduced;

- By the end of 2023, it is planned to cover one larger city with a 5G signal;
  - By the end of 2025, the main corridors should be covered with an uninterrupted 5G signal, in accordance with the Agreement for establishing the transport community on the core and comprehensive road network in the country;
  - Development of the national optical transport network by providing optical infrastructure and auxiliary means for the needs of the operators for their aggregation connection with accessible broadband networks, the connection of public sector institutions and locations for free Wi-Fi internet access in the local self-government units of NTON;
  - Provision of accessible broadband networks and means in areas where there is no sufficient commercial interest in investing in this type of network, so that operators can use them to provide end-users with broadband access to the Internet and other services;
  - Signing of a roaming agreement with the European Union;
  - Amendments to the Rulebook on ensuring security and integrity of the public electronic communications networks and services and activities that operators should take in case of breach of personal data security in terms of updating of the existing framework of security measures, compliance with a commonly established threshold and model for reporting incidents, expanding the scope of surveillance with multiple communication services, new definitions of security and safety incidents, promotion and implementation of modern encryption measures to achieve alignment with the Directive;
  - Completion of the process of adopting bylaws arising
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from the new Law on Personal Data Protection and their implementation;

- Activities will be carried out on raising the public awareness of the citizens about their rights to personal data protection, including activities on introduction of new technologies and new tools in the work of the Agency as well as strengthening the administrative capacity of the Agency.
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# INFORMATION SOCIETY SERVICES

## Current situation

### Legal framework

A Decree with legal force was adopted for issuing vouchers to young people for digital skills training in order to improve their competitiveness on the labour market during a state of emergency, as well as a Decree with legal force on the procedure for issuing a movement permit during a period of prohibition of movement during the state of emergency.

Within the framework of the Digital Summit 2020, a Memorandum of Understanding was signed with the Western Balkan partners for regional interoperability and confidential services in the Western Balkan region.

### ICT Strategy

Three key strategic documents from the National Long-Term ICT Strategy 2021 - 2026 have been prepared. Accompanying documents of the Strategy will be the Analysis of the current situation as a starting point, and the Action Plan for the implementation of the envisaged strategic objectives

In 2020, the focus was on the increase of use of the national platform for interoperability and adding of new institutions. The preparation and introduction of a communication client node are in progress, that is, a possibility for connection and identification of more than one institution through one communication client. These activities mean that the implementation of the Law on Electronic Governance and Electronic Services has already started, including the bylaws that include the European Framework for Interoperability.

Regarding the Population Register, several improvements were made in the system, which strengthened the monitoring of the quality of the exchanged data by the competent institutions.

## e-Services

The National Portal for e-services provides functionality for the identification and authentication of legal entities, which enables the provision of e-services in one place for both citizens and businesses. The realisation of the "One service point" project is underway and it will enable the citizens to receive services and information from a different state and public institutions in one place.

The following e-services were launched in the current period:

- Registration of training providers in the List of digital skills training providers;
- Application of young people for vouchers for digital skills training;
- Application for a Movement Permit during a movement ban, by legal entities and for their employees;
- Application for a Movement Permit during a ban, by individuals;
- The e-services for individuals are connected to the Central Population Register.

The following were developed::

- Standards for the provision of services;
- Methodology for the involvement of end-users in the process of development and modification of services;
- Guidelines for service optimisation (reengineering);
- The process of registration of several reliable service providers and electronic identification schemes in the Register of reliable service providers and electronic identification schemes has started, as well as the process of registration of means for creating electronic signatures and electronic seals;
- The Quality Management Website (CAF) was officially launched in March 2021. The website is designed to be a place that will provide all the information related to quality management from relevant documents with a list of model users, a list of trainers, news, including discussion forums. The quality management website can be accessed at: [kvalitet.mioa.gov.mk](http://kvalitet.mioa.gov.mk);

- The active use of the module for archive and bookkeeping operations (DMS) started on 2 January 2020, which will be used by 13 institutions. During 2020, the process for distribution of incoming documentation and the general process for movement of documents in the institutions-beneficiaries of DMS were developed and implemented. To ensure continuity in the work of the institutions, the data from the old DMS solution were migrated;
- In 2020, the National Taxonomy for Cyber Incidents was adopted. In addition, in accordance with the National Cyber Security Strategy and Action Plan, the Government instructed all public and state bodies to report incidents to MKD-CIRT.

**Building digital skills** is one of the pillars of the National Long-Term ICT Strategy and Action Plan. In the current period, a measure has been implemented to help young people to acquire digital skills, by issuing vouchers.

## Short-term priorities

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### Legal framework

- Due to the adoption of the Law on Electronic Documents, Electronic Identification and Confidential Services, it was necessary to prepare a new Law on Archival Activity. This Law will completely replace the Law on Archive Material and will regulate the legal regime of the born-digital documents. Additionally, the Law on Archive Activity will regulate the manner of implementation of the document management system (DMS);
- Amendments to the Law on Electronic Documents, Electronic Identification and Confidential Services will be made to eliminate the shortcomings noticed with the implementation of the Law in practice;
- Following the activities defined by the **National Strategy for Cyber Security** and the Action Plan (2018-2022), the preparation of the Law on Security of Networks and Information Systems has started. This Law transposes the NIS Directive in full. In addition, the Strategy for Cyber Defence 2019-2023 was adopted;
- A **National Long-Term ICT Strategy** with an Action Plan will be adopted;
- Activities will be implemented to enhance the use of the interoperability platform by increasing the number

of active institutions and services available for data exchange. During this period, it is planned to make a more serious upgrade of the interoperability platform in order to introduce a communication client node. A Register of registers should also be implemented and put into use in order to uniquely identify the data owners, and thus the data sources;

- From the aspect of the **National Interoperability Framework**, a revision process of the guidelines defined in the framework will start, in accordance with the previous experience and practical application of the interoperability platform, as well as the inclusion of changes caused by the introduction of a communication client node and possible harmonisation of the framework with new standards in this field in the EU;
- Regarding the **Population Register**, the plan in 2021 is to connect and use the data from the Central Population Register system in the systems of the Public Revenue Office, Ministry of Labour and Social Policy, State Statistical Office, Health Insurance Fund and State Election Commission. The communication of these systems will enable the establishment of a Register of users of the data from the Central Population Register, in accordance with the provisions of the Law on Central Population Register, that is, the Electronic Code. One of the short-term priorities in 2021 is also the migration of the system towards the equipment received through IPA 2012.

Activities planned in the field of **e-services** are the following::

- New e-services will be developed and launched, or existing ones will be integrated, such as enrolment of children in kindergartens, enrolment of children in elementary schools, nostrification (verification) of foreign university decree, pupil and student scholarships, service appointments and the like;
- Within the framework of a project funded by the IPA 2017 programme, 85 new e-services for citizens and businesses will be available on the National e-Services Portal;
- Within the same project, the registers that are not in electronic form and are needed for the new e-services on the National e-Services Portal will be digitalised;
- Additionally, a Methodology for measuring the quality of delivery of e-services will be developed by building the institutional capacities for Digitalisation of services



(development, planning, maintenance, delivery, upgrading, etc.);

- Regarding the CAF, it is planned for the first quarter of 2021 to change and amend the Law on Introduction of a Quality Management System and the common framework for evaluating of operation and provision of services in the civil service. Thus, a legal basis for external inspection will be established, enabling the institutions that have implemented a common assessment framework to confirm the success of the implementation, as well as a possibility to obtain a certificate of effective CAF user. In addition to introducing an external evaluation procedure, the Law will be harmonised with the Law on Services, which aims to improve the services on the internal market;
- In this period, it is planned to adopt and implement a methodology for evaluating the institutional quality index. The process includes measuring how resources of the institutions are managed, including their operations and service delivery processes, and the results of the operations;
- In 2021, adaptation, rationalisation and implementation of up to 200 processes are envisaged in 20 institutions users of DMS.

## Electronic identification and confidential services

- Registration of a national eID scheme for individuals;
- Registration of a national eID scheme for legal entities;
- Recognition of the issuers of qualified certificates for confidential services within ZB6;
- Regarding the Cyber Security Strategy, it is planned to implement a Feasibility Study for establishing a Centre for Safer Internet, through the Twinning light instrument;
- The Law on Security of Networks and Information Systems envisages the establishment of a Digital Agency, which, apart from Digitalisation, will be also responsible for the operationalisation of the activities in the field of cybersecurity..

## Digital skills

For the purpose of better development of digital skills, the following is planned: development of contents for improvement of digital literacy of the administration, implementation of trainings for improvement of digital literacy, implementation of expert trainings for IT persons in the administration; implementation of activities for improving the digital skills of the citizens in accordance with Chapter 4 of the Action Plan of the National Long-Term ICT Strategy.

## Medium-term priorities

- Preparation of a Law on Critical Information Infrastructure;
  - Increasing the utilisation of the interoperability platform, by increasing the number of active institutions and services available for data exchange;
  - The adoption of the Electronic Code will improve the regulation for the Central Population Register and the communication between the systems;
  - Connecting the system and mandatory use of system's data with at least 50 access policies from institutions and legal entities that provide services of public interest, that is, entities in the field of education, health, social and child protection, finance, banking, insurance, energy, water supply, electronic communications, postal services and utilities.
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## e-Services

The following activities are envisaged with regard to e-services:

- As part of a project funded by the IPA 2017 programme, 50 new e-services for citizens and businesses will be available on the National e-services Portal, and the registers that are not in electronic form, but are needed for the new e-services of the National e-services Portal will be digitalised;
- The developed Methodology for measuring the quality of delivery for e-services by building institutional capacities for Digitalisation of services (development, planning, maintenance, provision, upgrade, etc.) will be piloted in 5 institutions and recommendations for improvement and for future use will be provided.

## area 3.10.2

### CAF

- Implementation of the Methodology for measuring the performance of the institutions;
- Expansion of the document management system with the inclusion of new institutions and users, which will lead to increased use of electronic document management systems in the institutions;
- Enabling of full digital operation of institutions by increasing the number of digitised processes.

### Electronic identification and confidential services

- Development and implementation of eIDAS node for cross-border electronic authentication;
- Signing of an agreement with the European Union on mutual recognition of confidential service providers and issuers of electronic identification schemes;
- Establishment of a Centre for Safer Internet on the basis of the results and recommendations of the Feasibility Study, which will contribute to the Internet becoming a safe and secure environment for children and young users;
- Adoption of a second National Strategy for Cyber Security.





# AUDIO-VISUAL POLICY

## Current situation

### Legal framework

In 2020, the following decrees were adopted to assist the broadcasters in dealing with the consequences of the pandemic:

- Decree with force of law on the manner of use of radio frequency bands during a state of emergency;
- Decree with force of law on the implementation of the Law on Audio and Audio-Visual Media Services during a state of emergency;
- Decree with force of law on the establishment of an assistance and support fund for dealing with the crisis caused by COVID-19, which covered the broadcasters.

The Assembly adopted the Law amending the Electoral Code, which amended several provisions related to media coverage during elections. The amendments to the Electoral Code were also an opportunity for initiating procedures for amending the Monitoring Methodology and for the adoption of two new guidelines for the broadcasters: Guideline for confirmation of the reports on paid political advertising and Guideline on the limits of paid political advertising. The Agency stopped the adoption of these acts after the President declared a state of emergency due to the COVID-19 pandemic. After the end of the state of emergency, when the election activities resumed, the Agency adopted the three bylaws on 15 June 2020, following an initial public discussion.

Following a public discussion, the Council of the Agency adopted the bylaws on 4 June regulating the application of Article 143 of the Law on Audio and Audio-Visual Media Services (LAAMS). Following the decision of the Government to adopt the proposal for amendments to LAAMS, which proposes an amendment to Article 143 of this Law, and the Agency, was recommended to adopt the proposed amendments to the bylaws, so the Regulator decided to postpone the application of the bylaws for 30 days. On 3 December, the Constitutional Court decided to initiate a procedure for evaluation of Paragraphs 3 and 4 of Article 143 of the LAAMS and to suspend the execution of individual acts or actions taken on the basis of the

same provisions. On 17 February 2021, the Court ruled to repeal Article 143, Paragraphs 3 and 4.

To resolve the problems regarding the copyrights for broadcasting or rebroadcasting of TV channels between the operators and the broadcasters, in November 2020 the Government submitted to the Assembly draft amendments to the Law on Audio-Visual Media Services, which delete Paragraphs 3 and 4 of Article 143, that is, the previous legal solution was reinstated. The proposed amendments were adopted by the parliamentary committees in December 2020, and in the following period, the Law is expected to be reviewed at a plenary session. During the preparation of the amendments, the opinion of the EU Delegation in Skopje was taken into account.

## Mandate of the Agency for Audio and Audio-Visual Media Services (AAVMS)

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- During 2020, the Agency monitored the election media coverage during the 2020 early parliamentary elections. During the election period, the Agency initiated three misdemeanour proceedings for violations of the Electoral Code, for violation of the election silence and two misdemeanour proceedings on the manner of covering the election campaign against two broadcasters who did not provide fair, balanced and unbiased coverage of the election campaign;
- In June, the Agency prepared a Report on the media ownership of broadcasters and publishers of print media, wherein it presented data on the owners of television and radio stations and publishers of print media, with an aim to ensure full transparency of the ownership. The Report also included data on the owners of legal entities that appear as owners of broadcasters and print media publishers. Within the "Freedom of Expression and Freedom of Media in the Republic of North Macedonia" project (JUFREX 2), the "Pluralism of media ownership in the new media environment" study was prepared in August, the main objective of which was to assess the legal provisions for the concentration of ownership in

the audio-visual sector and to recommend future steps for the policies that could result in amendments to the Law on Media, and especially to the Law on Audio and Audio-Visual Media Services;

- For the needs of the Agency for Audio and Audio-Visual Media Services, quarterly public opinion polls were conducted and data on the viewing of television stations and listening to radio stations were published.
- For a second time, our country joined the celebration of the UNESCO Global Media and Information Literacy Week (24-31 October).
- During this year, the Agency conducted all supervisions provided in accordance with the Annual Supervision Plans. In terms of changes in the ownership structure of the broadcasters, the Agency adopted four decisions approving the change of ownership of one radio station that broadcasts nationally, two radio stations that broadcast locally and one local television station.

## Short-term priorities

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### Legal framework

It is planned to establish a working group for the preparation of a draft text of the amendments to the Law on Audio and Audio-Visual Media Services, which should be harmonised with the EU Directive on Audio-visual Media Services. In compliance with the amendments to the AVMSD from November 2018, the transposition of this Directive in the Law on Audio and Audio-Visual Media Services will begin in 2021.

### Implementation

For consistent implementation of the Law on Audio and Audio-Visual Media Services, the Law on Media and the accompanying bylaws, the Agency will implement a number of activities:

- Performing of programme monitoring of broadcasters and audio-visual media service providers upon request and of the operators of public electronic communications networks;



- Regular programme monitoring in accordance with the Annual Plan for performing programme monitoring for 2021;
  - Control monitoring of the programmes, extraordinary monitoring of the programmes;
  - Exercising administrative supervision over the broadcasters and print media publishers;
  - Regular administrative supervision following the Annual Plan for performing administrative supervision for 2021;
  - During 2021, the Agency will carry out several analyses and researches:
    - Preparation of an annual report on media ownership (description of the media ownership, changes in the ownership structure and ascertained unauthorised media concentration among broadcasters);
    - Market analysis of audio and audio-visual media services for 2020;
    - Survey of public opinion on the views and opinions of the audience regarding radio and television content, the need for additional content and the degree of satisfaction with the programme offers;
    - Implementation of quarterly surveys in order to obtain data on listening to a radio station and viewership of television stations which are not covered by the electronic measuring;
    - Study to determine the possibilities for the introduction of digital radio;
    - Analysis of the possibilities and needs for the introduction of DVBT-T2;
  - In accordance with the legal obligations, the Agency will continue in 2021 to work actively on promoting social inclusion and raising the level of media literacy.
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## Monitoring the media coverage of elections

In 2021, one of the most important activities of the Agency is the monitoring of media coverage of the local elections for mayors and councillors, to ensure compliance with the obligations from the Electoral Code.

The envisaged activities include monitoring of the programme services of the broadcasters in terms of compliance with the provisions of the Electoral Code and following the Methodology for monitoring of the election presentation in the media.

## National Television Development Strategy

- Following the adoption of the new Five-Year Development Strategy of MRT on 23 March 2021, the national broadcaster will start its implementation, including the launch of new programme services on MTV;
- After a long period, a correspondent network is established, and there is reporting on the MRT programmes from all major regional centres in the country.

## Medium-term priorities

### Legal framework

The amendments to the Law on Audio and Audio-Visual Media Services will ensure harmonisation of the domestic legislation with the latest amendments to the EU Directive on Audio-visual Media Services. This initiative also comes from the Government Work Programme (2020-2024).

The Agency for Audio and Audio-Visual Media Services will work on implementation of the Regulatory Strategy for Development of Audio and Audio-visual Media Activity for the period until 2023.

After the implementation of the Regulatory Strategy, the Agency will analyse the situation and the trends and will start preparing a new five-year Strategy that will cover and properly address all key issues for the stakeholders in the audio and audio-visual field.

Following the harmonising of the domestic legislation with the revised Directive on Audio-visual Media Services, the Agency will adopt rulebooks and other bylaws that will regulate the new legal provisions.

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# TAXATION

## Findings and recommendations from the EC Report 2020

The country is **moderately** prepared in this area. **Some** progress was made in adopting the law on excise duties and ratifying the OECD Convention on mutual administrative assistance in tax matters. However, the reforms introduced in 2019 on personal income taxation are now put on hold. Since not all recommendations of the 2019 report were implemented, in the coming year the country should in particular:

- ▶ improve the capacity of the central and local tax administration by adopting and efficiently implementing the tax system strategy;
  - ▶ develop a new integrated IT tax model for the Public Revenue Office, improve its risk management through automated processes and further extend e-services for tax payers.
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# INDIRECT TAXATION

## VALUE-ADDED TAX

### Current situation

The taxation of consumption of goods and services is regulated by the Law on Value-Added Tax. The Law on Value-Added Tax has been in force since 1 April 2000 and it mostly transposes the requirements of the EU VAT legislation, as follows: The Sixth (systemic) Directive of the Council - 31977L0388 and the Thirteenth Directive of the Council - 31986L0560.

When making amendments to the Law on Value-Added Tax, the provisions of Directive 32006L0112 (with all its amendments) which is a replacement of the Sixth (systemic) Directive of the Council 31977L0388, are especially taken into account.

The following acts were adopted in 2020:

- Decree with the force of law on the application of the Law on Value-Added Tax during the state of emergency (adopted by the Government and published (Official Gazette No. 82 from 27 March 2020). With this Decree, taxpayers are also able, in addition to paper invoices, to issue invoices in electronic form, in order to facilitate the business operations of the taxpayers and to prevent the use of paper in order to reduce the risk of spreading of COVID-19;
- Decree with the force of law on the amendments to the Decree with the force of law on the application of the Law on Value-Added Tax during the state of emergency (adopted by the Government and published in the Official Gazette No.102 from 14 April 2020). The Decree was adopted in order to simplify and facilitate the process of donating to budget users. It prescribes exemption from value-added tax for sale of goods and services that are given as a donation to budget users for the purpose of dealing with COVID-19, as well as exemption from value-added tax for sale of goods and services to a budget user for the purpose of dealing with COVID-19, which is paid with funds from received donations to a budget user;
- Decree with the force of law to supplement the Decree

with the force of law on the application of the Law on Value-Added Tax during state of emergency (Official Gazette No.108 from 24 April 2020). The Decree extended the deadline for submission of the tax return for value-added tax, as well as for paying the value-added tax;

- Decree with the force of law in order to supplement the Decree with the force of law on the application of the Law on Value-Added Tax during state of emergency (Official Gazette No. 128 from 18 May 2020). The Decree extended the deadline for its application, that is, it is applied during state of emergency as well as 90 days after the expiration of the state of emergency.

With the Law amending the Law on Value-Added Tax (Official Gazette No.267 from 9 November 2020), the following changes were made:

- Exemption from value-added tax with the right to deduct the previous tax on the sale of goods and services provided as a donation to a budget user for the purpose of dealing with COVID-19 is prescribed, as well as a deduction of the sale of goods and services made to a budget user for the purpose of dealing with COVID-19 which is paid with funds from received donations to a budget user. This exemption is valid until 31 December 2021;
- A preferential tax rate of 5% was prescribed for craft services performed by craftsmen who are registered in the craft register in accordance with the Law on Crafts, as follows:
  - (a) Repairing bicycles, shoes and leather goods, clothing and household linen (including patching and reshaping); and (b) hairdressing services. This amendment will apply from 1 January 2021;
- The preferential tax rate of 10% was introduced for services for the sale of food and beverages for on-site consumption and catering services, with the exception of alcoholic beverages, which is applicable from 1 January 2021.
- Starting from 1 January 2021, a legal obligation was introduced for the taxpayer – recipient of a supply of goods and services for which he is a tax debtor



in accordance with the law, to prepare a report on the received supplies, which he then submits to the competent tax authority, together with the tax return for value-added tax;

- A provision was prescribed which postpones the obligation to pay value-added tax for an additional 5 days after the expiration of the period for which the tax return for value-added tax is submitted;
- A provision was prescribed according to which the tax difference will not be refunded to the taxpayers who have expressed a request, in their tax return, to concede that tax difference for settlement of tax liabilities for another taxpayer. If the difference in tax is greater than the amount used to settle the tax liabilities of another taxpayer, the balance will be refunded to the taxpayer. The request for the concession of the tax difference cannot be used if the taxpayer has debts under other public duties. This provision will apply from 1 January 2021;
- A possibility was prescribed for the taxpayers to be able to issue their invoices, in addition to paper format, in electronic format as well (pdf or another electronic format). This is to facilitate the business operation of taxpayers and to prevent the use of paper in order to reduce the risk of spreading of COVID-19. This provision remains in force until 31 December 2021.

## Short-term priorities

In the period 2021-2022, analysis of the existing legal solutions related to value-added tax and their compliance with the Directive 32006L0112 and with the other tax regulations of the European Union that refer to this matter will continue.

## Medium-term priorities

In the period 2023-2025, there will be an intensive process of reviewing and harmonising of the domestic legislation with the provisions of the EU Directives, which will then determine the need for the adoption of a Law that will amend the Law on Value-Added Tax, or will result in the adoption of a new Law on Value-Added Tax with appropriate bylaws.

In the harmonisation process, special care will be taken to incorporate provisions that will regulate the supply of goods and services within the Community.

During the harmonisation of the domestic legislation, all relevant EU acts in the field of taxation will be taken into account.

## EXCISES

### Current situation

During 2020, the following acts were adopted:

- Decree with a force of law for application of the Law on Excises during the state of emergency (Official Gazette No. 86/2020 from 1 April 2020) which prescribes the extension of the deadline for submission of a guarantee for securing the payment of the excise debt that may occur for the excise goods that are in the process of excise deferral until 30 June 2020, for private health institutions, pharmacies and manufacturers of medicines, auxiliary products and disinfectants, that are holders of approval for privileged user, as a mitigating measure in a situation of COVID-19. The Decree was then further amended and the following was adopted:
  - Decree amending the Decree with a force of law on the application of the Law on Excise Duties\* during a state of emergency (Official Gazette No.105/2020) prescribing the amount of excise duty on unleaded petrol with a lead content of up to 0.013 grams per litre from the following tariff codes: 2710 12 31 00, 2710 12 41 00, 2710 12 45 00, 2710 12 49 00, 2710 12 51 00 and 2710 12 59 00 and for gas oil as a propellant and as heating fuel from the following tariff codes 2710 19 43 00, 2710 19 46 00, 2710 19 47 00, 2710 19 48 00, 2710 20 11 00, 2710 20 15 00, 2710 20 17 00 and 2710 20 19 00; The prescribed increase in the amount of the excise was due to the significant decline in the oil prices on world markets during this period, which caused a significant reduction in the retail fuel prices, and a mechanism was prescribed that enables gradual return of the existing amounts of the excise in a situation of normalisation of the market prices. Thereby, this Decree was legally applied during the state of emergency, and it is also applied seven months upon termination of the state of emergency;

- Decree amending the Decree with a force of law on the application of the Law on Excise Duties during the state of emergency (Official Gazette No.125/2020), which prescribed additional extension of the deadline for meeting the obligation to submit a guarantee for securing the payment of excise debt which may occur for excise goods that are in the process of excise deferral. This means that the private health institutions, pharmacies and manufacturers of medicines, auxiliary products and disinfectants, that are holders of an approval for privileged users had to submit a guarantee until 31 December 2020, instead of 30 June 2020; and
- Decree with a force of law on the amendments to the Decree with a force of law on the application of the Law on Excise during the state of emergency (Official Gazette No. 169/2020 from 22 June 2020), which prescribes the amount of excise duty for gas oil as heating fuel, refund of part of the excise duty paid for the labelled gas oil intended for heating which is used in the production process or as an additive to another fuel as a heating fuel in the industry, as well as extension of the deadline for submission of a claim for refund of excise duty paid by diplomatic and consular missions and international organisations. By equating the excise duty on gas oil for heating with the excise duty on gas oil used as a propellant, it is expected to prevent the misuse in which the gas oil for heating was actually used for something else and to contribute to the suppression of the shadow economy, protection of consumers and the market from unfair competition, and also protect the state Budget, citizens and companies that work with petroleum products. Thereby, the provisions of this Decree shall apply with the force of law for the duration of the state of emergency, and shall also apply seven months upon termination of the state of emergency.

## Short-term/ Medium-term priorities

In the period ahead, the effects of the adopted Decree and the amendments in relation to it will be evaluated. At the same time, the further implementation of the new Law on Excise Duties (which entered into force on 1 January 2020) will be monitored. The same applies to the relevant bylaws, the development of EU legislation and positive European practices, and the possibility of improvement of the existing provisions of the Law on Excise will also be considered.



# DIRECT TAXATION

## PROFIT TAX

### Current situation

The Law on Profit Tax (Official Gazette No. 112/14, 129/15, 23/16, 190/16, 248/18, 158/19, 232/19 and 275/19) regulates the manner of taxation of the profit generated by legal entities, residents and non-residents of the country.

- In March 2020, a Decree with the force of law was adopted on the application of the Law on Profit Tax during the state of emergency (Official Gazette No.79/20). According to this Decree, taxpayer-companies that suffered operating losses because of COVID-19 were entitled to be exempted from paying profit tax advances for the months of March, April and May 2020.
- In June 2020, the Decree with the force of law on the application of the Law on Profit Tax during the state of emergency was amended (Official Gazette No.169/20). This Decree stipulates that taxpayers-companies that have suffered operating losses due to COVID-19 have the right to be exempted from paying profit tax advances for an additional two months - June and July.

### Short-term priorities

In the period 2021-2022, the continuous studying of the EU Directives related to the profit tax system will continue.

### Medium-term priorities

In the period 2023-2025, the Law on Profit Tax will be harmonised with the EU Directives. Subject to harmonisation will be the provisions of the Directives relating to the following: a common system of taxation applicable to mergers, divisions, transfers of assets and exchanges of shares concerning companies from different Member States (32009L0133-32013L0133), the common system of taxation in the case of parent companies and subsidiaries of different Member States (32011L0096) and the common system of taxation applicable to interest and royalty payments made between associated companies of different Member States (32003L0049).

# PERSONAL INCOME TAX

## Current situation

The Law on Personal Income Tax regulates the manner of taxation of the personal income of individuals generated during the year. Personal income means the following types of income earned in the country and abroad: income from work; income from an independent activity; income from copyright and related rights; income from sale of own agricultural products; income from industrial property rights; rental and sublease income; capital income; capital gains; winnings from games of chance; insurance income and other income.

- In March 2020, a Decree with the force of law was adopted on the application of the Law on Personal Income Tax during the state of emergency (Official Gazette No.79/20). According to the Decree, the payers of the personal income tax who generated income from an independent activity and who suffered damage in their operation due to the spread of COVID-19, are entitled to be exempted from paying the amount of personal income tax advances for March, April and May 2020.
- In June 2020, the Government amended the Decree with the force of law on the application of the Law on Personal Income Tax during the state of emergency (Official Gazette, No.169/20). According to the Decree, personal income taxpayers generating income from self-employment who have suffered operating losses due to the spread of COVID-19 are entitled to exemption from paying personal income tax advances for an additional two months - June and July.

## Short-term priorities

In the period 2021-2022, the continuous studying of the EU Directives related to the personal income tax system will continue.

## Medium-term priorities

In the period 2023-2025, the process of harmonisation of the Law on Personal Income Tax with the EU Directives and recommendations will take place. The Directives and recommendations in this area will be incorporated in the legislation, as follows: Directive on the common system of taxation applicable to mergers, divisions, partial divisions, transfers of assets and exchanges of shares regarding companies of different Member States (2009L0133- 32013L0133) in the part related to taxation of shareholders, that is, the part which covers the income of natural persons, the Recommendation for taxation of certain items of the income received by non-residents in another Member State (94/79 EC) and the Recommendation for taxation of small and medium-sized enterprises, the provisions of which pertain to natural persons performing an independent activity who are taxpayers for personal income tax purposes (94/390 EC).

# ADMINISTRATIVE COOPERATION AND MUTUAL ASSISTANCE

## Current situation

The harmonisation of the legislation regarding administrative cooperation in taxation (32011L0016) is applied through the Agreements for the avoidance of double taxation concluded between the Republic of North Macedonia and the EU Member States.

The Republic of North Macedonia has concluded a total of 49 agreements for the avoidance of double taxation with the following countries: Austria, Azerbaijan, Albania, Belgium, Belarus, Bosnia and Herzegovina, Bulgaria, Vietnam, Denmark, Egypt, Estonia, Israel, India, Iran, Ireland, Italy, Qatar, Kazakhstan, China, Kosovo, Kuwait, Latvia, Lithuania, Luxembourg, Moldova, Morocco, Norway, United Kingdom of Great Britain and Northern Ireland, United Arab Emirates, Poland, Romania, Russia, Saudi Arabia, Slovakia, FR Germany, FR Yugoslavia, Turkey, Taiwan, Ukraine, Hungary, Finland, France, Netherlands, Croatia, Czech Republic, Switzerland, Sweden and Spain. Out of a total of 49 agreements, 24 are with EU Member states.

Double taxation and protection from fiscal evasion agreements concluded by the country with other countries, including EU Member States, are the legal framework and basis for the promotion of economic cooperation between the contracting states in the field of trade in goods and services, and in the field of joint investments. The OECD model is used as a basis for conducting negotiations when concluding these agreements.

The exchange of information with the countries with which an international double taxation agreement has been concluded is done on the basis of that agreement.

The exchange of information with countries with which no international double taxation agreement has been concluded is done through the body of the state administration responsible for foreign affairs (Ministry of Foreign Affairs).

The country exchanges information with the relevant authorities of the contracting countries through the Public Revenue Office, thus contributing to the development of the system for mutual exchange of information in accordance with Directive 2011/16/EU. With the implementation of the minimum standards of BEPS and the application of the Convention on Mutual Administrative Assistance in Tax Matters, the Public Revenue Office is getting closer to meeting the objectives and obligations of the Directive



2011/16/EU, together with its subsequent amendments.

The Multilateral Convention on Mutual Administrative Assistance in Tax Matters (signed in 2018) provides a comprehensive multilateral framework for the exchange of information and assistance in the collection of taxes. The Convention entered into force on 1 January 2020.

As a member of the BEPS Inclusive Framework, the country will participate in the undertaking of measures intended to prevent tax evasion opportunities, that is, measures to preserve its tax base. The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting relating to double taxation agreements (MLIs) was signed by the Minister of Finance on 29 January 2020, at the 8th meeting of the BEPS inclusive framework.

## Short-term priorities

Short-term priorities are ratification of the MLI and acceleration of the process of signing/ ratifying the double taxation agreements with Oman, Turkmenistan, Hong Kong and Singapore. The conclusion of double taxation agreements with the other EU Member States remains a priority, namely with Portugal, Greece, Cyprus and Malta.

Short-term priorities of the Public Revenue Office are the following:

- Creating operational procedures for dealing in accordance with the Multilateral Convention on Mutual Administrative Assistance in Tax Matters;
- Start with effective implementation of the Convention;
- Establishment of greater cooperation and exchange of information for tax purposes with other jurisdictions signatories to the Multilateral Convention on Mutual Administrative Assistance in Tax Matters.

## Medium-term priorities

Continuation of negotiations in order to conclude double taxation agreements with EU Member States, as well as other non-European countries.

Establishment of automatic exchange of financial accounting information with EU Member States and other OECD member countries (upon signing of the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account

Information-MCAA CRS), exchange of country reports in accordance with Action 13 of the BEPS Inclusive Framework (upon signing of the Multilateral Competent Authority Agreement on the Exchange of Country-by-Country Reportings, CbC Reportings), submission of Tax Rulings in accordance with Action 5 of the BEPS Inclusive Framework.

## STRATEGY FOR REFORM OF THE TAX SYSTEM

The Tax System Reform Strategy (2020-2023) which was prepared by a working group composed of representatives from the Ministry of Finance, Public Revenue Office, Customs Administration, Financial Intelligence Office and Financial Police Directorate was published on the website of the Ministry for Finance. Additional consultations were also held with the non-governmental sector, chambers of commerce, the business community, the academic community, etc.

The Strategy was adopted by the Government of the Republic of North Macedonia on 29 December 2020 through the Ministry of Finance. The main objective of the Strategy is to ensure a fair, efficient, transparent and modern tax system based on modern digital technologies and innovations in taxation, in order to achieve accelerated, inclusive and sustainable economic growth. The Strategy contains five priorities for the tax policymakers and the bodies that administer the public revenues in the period 2021-2025, together with their key activities, outcomes, responsible entities and key performance indicators:

**Priority 1** – Greater fairness in taxation, in order to ensure that everyone meets their social obligation and pays their fair share of the tax.

**Priority 2** – Greater efficiency and productivity and effectiveness of the tax system for better revenue collection, through a more efficient fight against unregistered activities and tax evasion, strengthened institutional capacity, analysis and adjustment of the tax base, reduction of outstanding tax liabilities and implementation of a register of beneficial owners.

**Priority 3** – Increased tax transparency, which includes the improving of information exchange between tax authorities and other entities, which will be based primarily on electronic services and digitalisation of the processes.

**Priority 4** – Better quality of services, in a way that simplifies and speeds up the procedures and reduces the administrative burden.

**Priority 5** – Introduction of environmental ("green") taxation, in order to stimulate the taxpayers to reduce their behaviour and/ or activities that result in environmental pollution.

Based on the priorities, measures and activities defined in the Strategy, annual action plans will be prepared in which all steps for implementation of the activities for the respective year will be elaborated in more detail. These action plans will be prepared by the Tax System Reform Strategy Working Group.

# OPERATING CAPACITY AND COMPUTERISATION

## Current situation

The Customs Administration has launched the **new excise module** under SOCDAC, which is based on the Excise Movement Control System applied in the EU. The excise procedures are conducted entirely digitally, without the use of paper. A plan has been prepared for establishing a paperless environment during the implementation of the customs procedure for export through SOCDAC, with the selection of pilot customs offices where the project will start operating. The information module for pre-arrival of fast shipments has been put into use. This module was developed within the framework of the Regional Working Group for CEFTA countries and it is about the provision of information about the fast shipments before they arrive in the customs territory and the application of appropriate risk analysis techniques will enable faster customs clearance of these fast shipments.

In the reporting period, concrete steps were taken to direct the capacities towards the core mandate – collection of tax revenues, as well as activities for the realisation of essential capital reform processes in the direction of modernisation of the Public Revenue Office.

In order to cope more easily with COVID-19, the Public Revenue Office implemented the following regulations in 2020 regarding value-added tax and personal income tax:

- Decree with the force of law on the application of the Law on Tax Procedure during a state of emergency;
- Decree with the force of law on the financial support of natural persons performing an independent activity affected by the health and economic crisis caused by COVID-19 during a state of emergency (Official Gazette No.92/2020 and 156/20);
- Decree with the force of law on the application of the Law on Donations and Sponsorships in Public Activities during a state of emergency (Official Gazette No.103/2020 and 140/2020);
- YDecree with the force of law on the financial support of the employers affected by the health and economic

crisis caused by the coronavirus, for payment of salaries for the months of April, May and June 2020 (Official Gazette No. 111/2020, 113/2020 and 154/20);

- Decree with the force of law on the subsidising the payment of compulsory social insurance contributions during a state of emergency (Official Gazette No. 92/2020 and 116/2020).

An assessment of the tax gap with regard to the use of cash registers was carried out for one business activity (car mechanics) that included a review of the following situation: registration, reported turnover, timely delivery and timely payment for this target group, where 16 recommendations and directions to the sectors and functions of the PRO were provided for follow-up activities. The assessment of the tax gap in terms of use of cash registers for this target group showed a situation in which specific measures and activities were required in order to increase the registration of cash supply, thus creating a domino effect in raising the collection of VAT, profit tax and personal income tax.

A new risk register of the PRO 2020-2022 was adopted, which introduced a new tool for monitoring potential risk factors for particular areas (sectors and functions) in the PRO where indications of bribery and corruption exist—in relation with the State Commission for Prevention of Corruption.

A draft external Compliance Improvement Plan of the PRO 2020-2022 (for external use) has been prepared. This document reflects the international good practice – most modern tax administrations publish this type of document in order to ensure that the functions of the organisation/ institution are focused on the most urgent and priority issues that have the greatest impact on taxpayer compliance. A draft internal Compliance Improvement Plan of the PRO 2020-2022 (for internal use) has been prepared. This document aims to present the ways of dealing with compliance and risk management within the sectors and functions in the PRO, the methods and tools available in the area of compliance improvement for the PRO 2020-2022, as well as the identification of challenges.

Capacity building through exchange of experience and technical assistance within EU programmes and other international organisations

## FISCALIS 2020 Programme

In fiscal year 2019 (1 April 2019 – 31 March 2020), 42 employees of the Public Revenue Office attended 19 events, and 45,061.99 EUR were used, that is, 82% of the funds allocated for the financial year of 2020.

In fiscal year 2020 (1 April 2020 – 31 March 2021), as till 15 October 2020 a total of 8 employees of the PRO attended 7 online events organised within the Fiscalis 2020 programme. Due to the new COVID-19 situation, only EUR 6.376,78 of budget funds for fiscal year 2020 were used in this period, due to the fact that the events were attended online from the workplace.

At the same time, due to the COVID-19 situation, several events planned as part of Fiscalis 2020 programme were cancelled or postponed.

Furthermore, answers were provided to 4 surveys, as follows: survey on rules and responsibilities of the coordinators, survey on meetings and survey on needs analysis for projects to support e-learning and research of the stakeholders of the Monitoring system of "Fiscalis 2020" and "Customs 2020" programme.

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## (IOTA) Intra-European Organisation of Tax Administrations

At the beginning of 2020, 1 PRO employee participated in-person (physical presence) at 1 event within the framework of the IOTA Annual Programme for 2020. The other events scheduled with physical presence were cancelled/ postponed due to the new situation with COVID-19.

The forum of tax administration principal contact persons (Coordination PCP Forum), webinars on the current situation caused by the pandemic, as well as the 24th General Assembly of the organisation were all held virtually. The PRO continuously cooperates with tax administrations – IOTA members on sharing of best practices by responding to questionnaires and technical questions.

## (CEF) Centre for Excellence in Finances

At the beginning of 2020, 3 PRO employees participated with physical presence at 1 event (workshop) within the framework of the Annual Programme of the Centre for Excellence in Finances (Ljubljana, Slovenia) for 2020. In the following period, 18 employees of the PRO also participated in 11 virtually organised events (webinars).

### (IMF) International Monetary Fund

Within the technical support provided by the IMF, a mission for the implementation of transfer pricing was carried out in the Ministry of Finance.

The following IMF missions were carried out in the first quarter of 2020: IT Reform Workshop; Application of the compliance risk management principles in order to improve operational efficiency; improving tax audit efficiency.

At the same time, in the period February - March 2020, the Public Revenue Office answered the questionnaire for the upcoming TADAT mission. Due to the new situation with the COVID-19, this mission was postponed for a future period and will be additionally scheduled.

In March 2020, the Public Revenue Office responded to a questionnaire regarding the situation and the measures taken by the PRO during the COVID-19 pandemic.

A regional meeting of tax administrations was held (organised in the form of a webinar), at the highest level, dedicated to the continuation of the normal functioning of the business processes during/ after the crisis caused by the COVID-19.

### Other activities

- At the invitation of the Tax Administration of Kosovo, a delegation of the PRO paid a working visit to Prishtina as part of the celebration of the 20th anniversary of the establishment of the Tax Administration of Kosovo,
- PRO delegation held a working meeting with the management of the Tax Administration of Albania.
- In the period May-August 2020, the World Bank conducted an assessment through the TAX DIAMOND tool and a Final Report was produced with recommendations for further improvement of the business processes of the PRO,
- PRO staff participated in an online workshop on practical and procedural aspects of taxation in a digital economy, organised by the United Nations.

## Short-term priorities

- Procurement of BMP tool (software and licenses), as part of the development and reengineering of business processes for the new tax integrated IT system;
- Implementation of an automatic refund and offsetting module which, through automation and acceleration of processes, will reduce the time required for processing of VAT refund claims;
- Establishment of a new methodology, guidelines and procedures for simplification of the VAT refund process, which will be based on updated and upgraded risk criteria;
- Implementation of activities to strengthen the effectiveness and efficiency of the debt collection procedures and improved administration of tax arrears.

## Medium-term priorities

The Public Revenue Office will work on strengthening the operational capacities and business processes for revenue collection by modernising the tax IT system.

The Customs Administration will work on the implementation of the Excise Goods Management System (EMCS) compliant with the UCC - National Development Decision; Project Implementation and Excise Authorisation Verification System (SEED) - National Development Decision; Project implementation.

## Projects funded by EU and other foreign assistance

### Projects currently in implementation

- To strengthen the administrative and operational capacities of the tax administration, a Twinning project for "Improvement of tax collection and tax and customs



policy" was prepared in cooperation with the Ministry of Finance, the Customs Administration of the Republic of North Macedonia and the Public Revenue Office. The implementation of the project started on 21 January 2020 and will last for a period of 36 months.

### Planned projects/ needs

The Public Revenue Office, the Ministry of Finance and the World Bank are discussing, in the application for a new project for financing the development of the new IFMIS, about the expansion of the new information system of the PRO.

With regards to the PRO, a proposal has been prepared for Component 2: Support for the tax reforms of the IT strategy of the PRO and promotion of the integrated tax information system (or ITIS), which include the remaining projects/ modules for completion of the IT system:

- Data warehouse;
- Business Intelligence Tools as Components: Risk Management, Compliance, and Fact-Based Decision Making;
- New ITIS modules: for e-commerce and e-invoice;
- Disaster Recovery Centre.

The Customs Administration, in the period 2023-2025, plans to implement a system for management of excise goods movement (EMCS) compliant with the UCC and Implementation of a System for Verification of Excise Authorisations (SEED).



# EMU

## Findings and recommendations from the EC 2020 Report

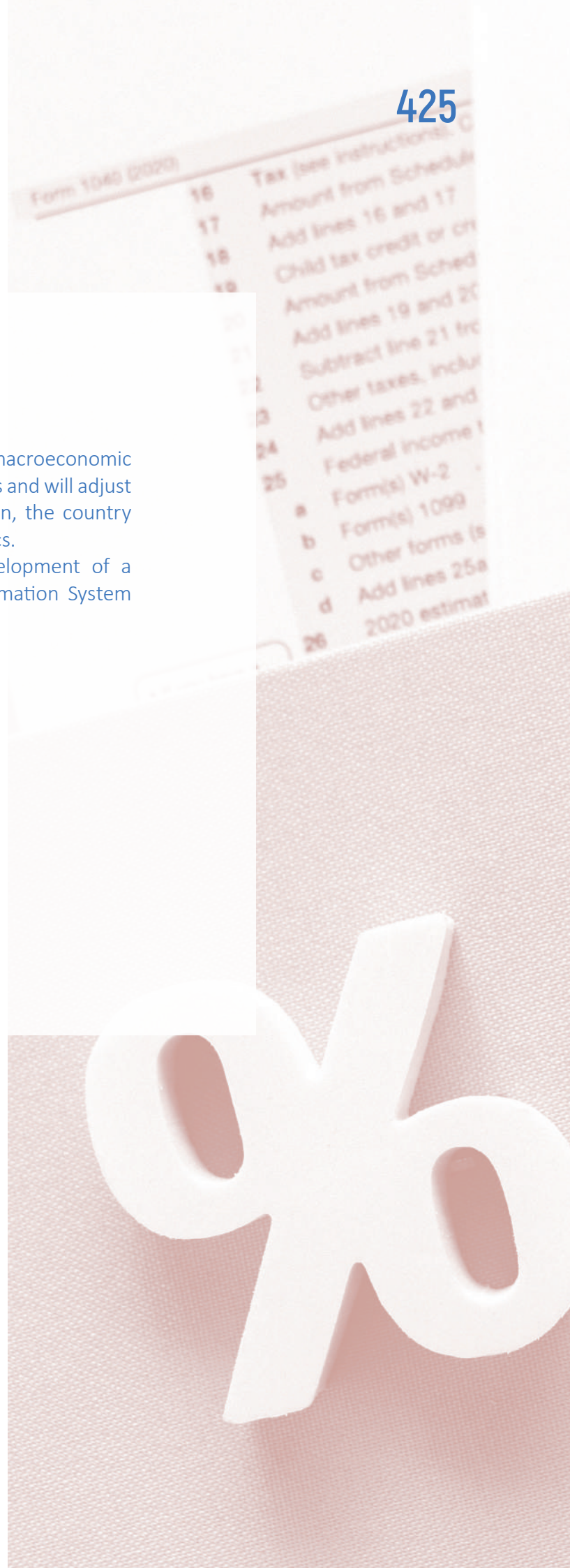
The country remains **moderately prepared** in the area of economic and monetary policy. **Some progress** was made in transparency and accountability of budget expenditure. The 2019 recommendations were partially implemented. In the coming year, North Macedonia should take further measures to:

- ▶ amend the civil service law to grant the central bank full independence;
- ▶ adopt the new organic budget law that includes fiscal rules, arrangements for an independent fiscal council and introduces a proper comprehensive medium-term budgetary framework;
- ▶ ensure the implementation and the assessment of economic, social and environmental impact of the measures introduced to support the businesses affected by the COVID- 19 crisis, in particular micro, small and medium-sized enterprises and self-employed.

# SUMMARY

The National Bank will continue to monitor the macroeconomic indicators and developments in the financial markets and will adjust the monetary policy stance accordingly. In addition, the country will continue to improve and harmonise the statistics. Adoption of the new Law on Budgets and development of a functional Integrated Financial Management Information System with basic modules.

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# MONETARY POLICY

## Current situation

Under the circumstances of a COVID-19 pandemic and measures to prevent its spread, which adversely affect both the global and the domestic economy, and with a solid level of foreign exchange reserves and absence of inflationary pressures, the monetary policy has retained its accommodative character, through additional reduction of the key interest rate in April and May 2020, by a total of 0.5 pp, to the level of 1.5%, in order to facilitate the financing conditions and support the credit flows in the economy. Additionally, in response to the health crisis, the National Bank on two occasions (in April and May 2020) reduced the supply of CB bills by a total of MKD 15 billion. The reduction of the amount of CB bills enabled the release of liquid assets in the banking system, which represents significant support to the Macedonian economy by encouraging the lending activity of the banks. In March 2020, the National Bank reactivated the non-standard measure which enables reduction of the mandatory base reserve requirement in denars for the banks, for the amount of the newly approved and restructured loans approved to non-financial companies engaged in activities that are most affected by the COVID-19 pandemic. With this measure, the National Bank created conditions for stimulating the credit support of the most affected sectors under more favourable terms by the banks.

In May 2020, the National Bank expanded the range of securities that can be accepted from domestic banks as instruments for securing liquidity emissions in the banking system in domestic currency. With these amendments, the National Bank, when conducting securities redemption operations on a temporary or permanent basis, may also accept both domestic government bonds with the longest maturity (15 and 30 years), as well as Eurobonds issued on international financial markets by the State. Thus, the National Bank accepts for redemption all securities issued by North Macedonia on the domestic and international market. In order to maintain and increase the foreign exchange liquidity of the banking system in euros, in August 2020 the foreign exchange deposit auctions instrument was activated at which the domestic banks can place foreign currency deposits, in euros, once a month, at the central bank, with a maturity period of 1 and 3 months, at fixed interest rates.

As part of the newly established repo-line for providing liquidity in euros to central banks that are not part of the euro area, in the second half of 2020, the ECB granted the National Bank the opportunity to use liquid assets in the amount of up to EUR 400 million. The National Bank will be able to use the repo-line to meet the possible needs of the domestic commercial banks for liquidity in euros (by the end of June 2021, or as long as necessary), in a situation of financial market disruptions related to the COVID-19.

In the past period, the National Bank undertook a series of activities for further harmonisation with the international and EU statistical standards.

- In the area of *financial account statistics*, during 2020, continuous work was carried out in order to improve the methodology and quality of the annual data (situations). Thereby, adequate quality of data and the applied methodology was achieved (according to ESA 2010) which enabled their publication at the end of 2020, with a time series for the period 2013-2019, together with methodological clarifications<sup>76</sup>. Additionally, in accordance with the recommendations from: a) IMF Technical Mission in the field of financial accounts, b) Twinning project "Strengthening the institutional capacity of the NBRNM in the process of accession to the ESCB", c) IMF project for improving the statistics of the State sector in cooperation with IMF and SSO, the National Bank makes efforts to improve the data sources and methodology for compiling quarterly financial statements and annual flows. In April and October 2020, data on financial account flows of the State sector for the period 2016-2019 were submitted to the SSO, per sub-sectors, as input for the EDP notification tables, with improved methodology and scope at certain financial instruments. The new improved methodology is also applied to financial account data, which were submitted to Eurostat in December 2020 (for the period 2013-2019) and lead to further harmonisation with the ESA, 2010.
- In the field of *external statistics*, work was implemented on enriching the available data. Reports on income from direct investments by countries and activities and on direct investments by geographical and economic zones were prepared in accordance with the requirements of BoP Vademecum and submitted to Eurostat, which further harmonised the statistics of direct investments with the EU requirements. On

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<sup>76</sup> <https://www.nbrm.mk/finansiski-smetki.nspix>

30 September 2020, tables 4.2; 4.3 and 5.2 from BoP Vademecum were submitted to Eurostat for the first time, according to the detailed requirements for dissemination of data by countries and activities. In accordance with the commitment for enriching the data set that is submitted to the IMF within the Coordinated Portfolio Investment Questionnaire (CPIS), the data from Tables 5 and 6 on portfolio investment funds were prepared during 2020, by country and sector of non-resident issuer and by sector of non-resident issuer and resident investor, for a specific group of countries. In October 2020, this data was published on the National Bank's website and submitted to the IMF. Within CPIS, the National Bank also participated in the pilot project for the first annual data exchange on the securities issuers sector.

As part of the project for preparation of a draft methodology for private transfers, a document was prepared and presented at the Conference on External Statistics held in Lisbon in January 2020. Work was also carried out on identifying and considering acceptable alternative solutions for evaluation of unregistered exports of goods and services, the shadow economy, tourism, travel and more. Additionally, the cooperation with the SSO for the needs of the IPA project on International Trade in Services has been intensified. For the needs of this project, in October 2020, Annex 4 was concluded to the Data Exchange Agreement with the SSO, on the basis of which detailed data on the services item from the balance of payments was submitted to the SSO.

- In the area of *monetary statistics*, within the long-term project for establishing an integrated reporting system for the needs of statistics and supervision ISIDORA, several activities have been undertaken, primarily related to improving the conceptual solution for using the credit registry data for statistical purposes and its future upgrade for the entire reporting needs of the National Bank. The activities of this project are realised with slower dynamics, given the complexity of the project and the need for change, which occur during the preparation of the conceptual solution. Additional confirmation of the manner and content of the future reporting is expected with the IPA project "Strengthening the capacity of the central banks in the Western Balkans in integration with the ESCB", within



the activities agreed with experts from the Central Bank of Portugal, which, due to the COVID-19 situation, are postponed for the following period.

- In the field of *securities statistics*, the activities for software connection of all available databases regarding securities trading in the country and abroad have continued. The improvement of these statistics creates preconditions for enriching data sources and improving the quality of financial accounts statistics.

The extraordinary events related to COVID-19 did not affect the process of dissemination of statistical data in the National Bank, which was realised in full, in accordance with the Data Release Calendar. There were no time delays, and the scope and quality of sources and production of data remained unchanged compared to the period before the pandemic. Press releases for primary statistical data under the jurisdiction of the National Bank were published regularly, simultaneously with the publication of the appropriate data set.

## Short-term priorities

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### Legal framework

It is planned to introduce amendments to the Law on the National Bank, which will more precisely determine the macroprudential mandate of the National Bank. At the same time, other sections of the Law will also be harmonised with the existing EU requirements.

### Instruments of monetary policy and foreign exchange rate policy

The National Bank will continue to actively monitor the macroeconomic indicators and developments in the financial markets, and depending on them, will adjust the monetary policy stance accordingly. In the area of monetary policy implementation, it is planned to review and prepare draft amendments to the regulation that will harmonise the principle of the banks' participation in individual monetary operations through participation in the mandatory reserve requirement system, in accordance with the European Central Bank regulations. Additionally, in the field of infrastructure for conducting monetary operations, it is planned to complete the activities for application of the new electronic

system for treasury bills auctions, as well as further automation of the process of monitoring of the fulfilment and calculation of the mandatory reserve fee in euros.

In the process of managing foreign reserves, in a situation of volatile tendencies in the international financial markets, the National Bank will adjust the investment framework to the foreign exchange reserves and the risk management, in accordance with the global trends.

## Statistics

The following activities will be implemented in the field of statistics:

- Further harmonisation of the external statistics with the new international standards (PPBMIP6) and the EU requirements:
  - Improvement of the process of regular transmission of data on external statistics to European institutions by the National Bank;
  - Preparatory activities for the establishment of a new statistical data warehouse (continues in the medium term priorities);
  - Adaptation of the data sources for external statistics in a situation of further liberalisation of the capital transactions with non-residents and implementation of EU regulations on payment services and payment systems.
- Further adjustment of monetary and interest rate statistics to the requirements of the EU regulations in this area;
- Development of financial accounts statistics and securities statistics;
- Improvement of communication with statistical data users and reporters.

## Medium-term priorities

### Instruments of monetary policy and foreign exchange rate policy

Related to the implementation of the monetary policy, the National Bank will continue in the following period to implement activities for adjustment of the monetary instrument with the setting and changes of the monetary policy in the euro area. At the same time, in order to successfully manage the banks' liquidity, support the denarisation process and support the stable long-term sources of bank financing, the National Bank will be continuously reviewing the optimal placement of the monetary instruments and/or consider the need to introduce new monetary measures.

At the same time, in order to harmonise with the latest methodology of the ECB for determining the reference market rate, it is planned to continue the activities for reviewing the need to introduce a new reference rate on the money market by the National Bank. In the area of foreign currency reserves management, the National Bank will continue to apply the best practices and will continuously strengthen the foreign reserves management capacity, in order to actively adapt the investment instruments to the changes on the global financial markets

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## Statistics

In order to further adjust the statistics (the part in the domain of the National Bank) to the requirements of the ECB, in the coming period the National Bank will be continuously making improvements in the following areas:

- Introduction of new and improvement of the existing data sources for external statistics and monetary statistics, in order to provide data with appropriate sectoral, geographical and currency distribution, as well as appropriate division by financial instruments, maturity, etc.;
- Improving the process of regular data transmission to European institutions;
- Further adjustment of the monetary and interest rate statistics to the requirements of the EU regulations in this area;
- Development of financial accounts statistics and securities statistics;
- Improving the communication of statistics with users and reporters in the National Bank;
- Development of a single statistical data warehouse.



# ECONOMIC POLICY

## Current situation

In the first half of 2020, there was a decline in the domestic economic activity of 6.4% as a result of the unfavourable movements in the second quarter, which is a reflection of the restrictive measures aimed to prevent the spread of the coronavirus in the country and the decline in the production in the industrial facilities as a result of a significant decline in the external demand. In that regard, the industrial production and certain service activities, such as trade, transport and catering, are those that suffered the most. The economic activity, according to the revised projections, decreased by 4.5% in 2020.

The coordination of the economic policies is included in the process of preparation and adoption of the Fiscal Strategy, the Budget of North Macedonia and the Economic Reform Programme (PER), as main strategic documents. The Budget for 2021 introduced a new concept, i.e., introduced a medium-term five-year framework which covers growth, deficit, public debt and capital projects. This Budget envisaged the following: Strategy for Economic Recovery and Accelerated Growth or SmartER Growth; Budget consolidation policies from 2021 to 2025; and Public Investment Plan 2021-2025. According to the Budget, a GDP growth rate of 4.1% in 2021, inflation of 1.5% and budget deficit of 4.9% of GDP are projected. In July 2020, the Government adopted the Fiscal Strategy for 2021-2023.

The Economic Reform Programme 2020-2022 was submitted to the European Commission within the foreseen deadline of 31 January 2020. During February 2020, evaluation missions were conducted by the ECB and the EC on the basis of which the PER 2020-2022 Evaluation Report was prepared and published.

The process of preparation of the new PER 2021-2023 started with the adoption of the Joint conclusions of the Economic-Financial Dialogue held in May 2020, which contain recommendations aimed at measures that ensure an urgent response in terms of fiscal, economic and social policy, in order to reduce the impact of the pandemic, as well as a transition from these short-term measures to longer-term structural measures in order to encourage the recovery of the economy in the medium term. The basis for reaching Joint conclusions is the EC Assessment of the PER 2020-2022, according to which the key challenges that the country should take into account when preparing the new Programme are: improvement of quality and relevance of the educational system; increase of the competitiveness of the domestic companies and their integration

into global value chains and formalisation of the economy. The EC also published a Guide for preparation of PER 2021-2023, which focused this year on the post-COVID-19 economic recovery, the horizontal inclusion of the green and digital transformation of the economy (as vectors of competitiveness) in all areas of structural reforms as well as increased attention to social protection, especially health care.

In order to strengthen the strategic use of the Economic Reform Programme, one of the criteria for assessing the relevance of a specific proposed activity when doing the Programming of IPA 3 is how that particular activity is related to the Economic Reform Programme and the agreed policy directions through the recommendations adopted from the Economic-financial dialogue.

In order to create quality reform measures that will be part of PER 2021-2023, several trainings were held in this period aimed at strengthening the capacities of the line ministries. In November, the EC held a virtual advisory mission for PER 2021-2023.

The new Law on Budgets was adopted by the Government in January 2021 and is currently pending for adoption by the Assembly.

The Ministry of Finance has started activities for establishment of a modern Integrated Financial Management Information System (IFMIS), which will provide integrated monitoring of revenues and expenditures, from their planning to full implementation. Talks are underway with the development partners (World Bank, EU Delegation, US and British Embassies, USAID) for considering the possibilities for provision of a financial framework for IFMIS, given the maturity of this project and the preparations that were made over the past two years.

In order to increase the transparency of the public finances, in November 2019, a new portal "Open Finance" was launched ([open.finance.gov.mk](http://open.finance.gov.mk)), which aims at providing the public with an insight into data as regards the realisation of Budget transactions of all budget users, which are available to the Treasury of the Ministry of Finance. The Ministry of Finance continued the cooperation with the IRI team, with the support of USAID, in the frames of the second phase of implementation of the "Open Finance" project, namely towards expansion of the data coverage that can be found on the "Open Finance" portal, to include the transactions of the local self-government units and their budgetary institutions. A new tool was introduced for monitoring of the realisation of the capital expenditures by budget users vs. the plan in the Budget (<https://kapitalni-rashodi.finance.gov.mk/>). Furthermore, in October 2020,

the Ministry of Finance published data for the first time about the fiscal table for the execution of the budgets of the municipalities in the Republic of North Macedonia, as well as quarterly data on the revenues and expenditures of the state-owned public enterprises.

The transparency related to public debt data has been improved with the amendments to the Law on Public Debt in May 2019, by including the non-guaranteed debt of the public enterprises in the definition of public debt. Thus, public debt is the sum of the State debt of the public enterprises established by the State or the municipalities, as well as the companies that are in full or dominant ownership of the State or the municipalities. In addition, the SSO regularly submits EDP tables (excessive deficit tables) to Eurostat. In accordance with the ESA 2010 methodology, the scope of the "State" sector includes public enterprises. The list of institutional units in the "State" sector is publicly available on the SSO website. Additionally, a new tool for fiscal transparency has been introduced with the creation of the <https://javendolg.open.finance.gov.mk/> portal. This platform was promoted and announced to the public on 20 February 2020. It shows in detail the debt, its movement by years, withdrawals, repayments, as well as projections for the current year. The objective is to contribute to better information and financial education of the general public through simple and understandable presentation of public debt data.

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## Short-term priorities

- Starting from 2020, the public debt management policy will be set out in a separate Public Debt Management Strategy;
- Adoption of the new Law on Budgets by the Assembly of North Macedonia;
- It is envisaged to prepare a tender documentation and conduct a tender procedure for selection of an operator that will start working on the establishment of the Integrated Financial Management Information System;



## Medium-term priorities (2023)

According to the Budget for 2021 and the revised projections, the economic growth in the country is expected to move to the positive zone in 2021, in a situation of expected recovery of investments, consumption and external demand, with a projected growth of 4.1% according to the baseline scenario, which presupposes decline of the health crisis and a gradual improvement of the epidemiological situation, better utilisation of production and service capacities, favourable effects from the economic measures, as well as increased confidence among consumers and investors.

The planned fiscal consolidation, the redesign of the budget policy and the Strategy for Economic Recovery and Accelerated Growth (SmartER Growth) are a solid basis for accelerating the economic growth in the coming period, return of the economy to the pre-crisis growth path in the second half of 2022 and ensuring faster dynamics of economic growth afterwards. According to the indicative projections, the economic growth is expected to reach 5.9% in 2025, and in the period from 2026 to 2030, the average economic growth rate is expected to stabilise at 5.75% per year.

With the outbreak of the COVID-19 crisis, the financing needs increased, resulting in increased borrowing on the international capital market and the domestic government securities market. As a result of the crisis, a slight exceeding of the 60% limit of GDP is expected in the medium term, and after 2024, with the fiscal consolidation measures, stabilisation and return of the debt level below 60% of GDP is expected. Having into account the experience of issuing of government securities so far, the frequency of issuance of securities is appropriate to market needs. In that regard, the Ministry of Finance will continue with the established dynamics for issuing government securities which is dictated by the market.

According to the Denarisation Strategy, the Ministry of Finance will focus in the coming period on issuing government securities in domestic currency.

In the coming period, the possibility for transition to another modern auction platform for the primary emission of government securities will be considered, in order for the Ministry of Finance to be in line with the global practice of issuing government securities. This would also encourage the expansion of the existing investor's base, and the issuance of government securities would be realised using a state-of-the-art trading platform, using for all the advantages, data and analytical opportunities of that platform.

Preparation and submission of economic reform programmes to the European Commission within the process of pre-accession

harmonisation of the economic policies in accordance with the EC Guide, and increased level of implementation of the EC recommendations derived from the economic and financial dialogue.

The implementation of the medium-term Public Finance Management Reform Programme 2020-2022 will continue.

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# SOCIAL POLICY AND EMPLOYMENT

## Findings and recommendations from the EC 2020 Report

The country remains **moderately prepared** in this area. There was **some progress** in the reporting period in reducing the unemployment rate and increasing the benefits of social assistance. The Youth Guarantee Scheme was successfully implemented on the territory of the whole country, including underdeveloped regions. The Employment and Social Reform Programme is partially implemented. Implementation of the new Social Protection Act should reduce the poverty rate, which remains a serious problem. As a follow on to the COVID-19 crisis, the government of North Macedonia has taken a number of mitigating socio-economic measures.

As the previous year's recommendations were not fully implemented, they remain valid. In the coming year, the country should in particular:

- ▶ continue to implement activation measures for long-term and low-skilled unemployed people, including women, persons with disabilities and Roma;
- ▶ improve capacities of the State Labour Inspectorate and reinforce the bipartite social dialogue between employers and workers;
- ▶ continue provision of assistance to all vulnerable groups in society while addressing poverty and anti-discrimination.



# LABOUR LAW

## Current situation

With the outbreak of the COVID-19 pandemic and the proclamation of a state of emergency in the country, as part of measures aimed at supporting and providing assistance to specific categories of workers and sectors affected by the current health and economic crisis, and to the national economy in general, there was a need for adoption of appropriate decrees<sup>77</sup> with legal force during the state of emergency.

- Decree with legal force for application of the Law on Employment and Insurance in Case of Unemployment during a state of emergency, which was about extension of the deadlines for registration of unemployed persons, and later a Decree amending the previous decree, in order for the unemployed persons to be entitled to financial compensation for a period of two months, regardless of the duration of the last employment, provided that the employment was terminated in the period from 11 March to 30 April 2020, by amicable termination with a written statement by the employee, or with dismissal by the employer;
- Decree with legal force for application of the Law on Labour Relations during a state of emergency, as well as its amendment, in order to facilitate the employers in relation to their business operations by planning and completing the annual leave from the previous year and the first part on annual leave from 2020 until 31 May 2020 at the latest; extension of the maternity leave to be terminated after the declaration of the state of emergency, the possibility of re-employment of workers laid off during the state of emergency, with full payment of the obligations arising from the employment contract by the State, based on an agreement between the employee and the employer;
- Decree with legal force for subsidising the payment of mandatory social insurance contributions during the state of emergency, in the amount of 50% for the period April-June 2020, for each insured employee employed by an employer that meets the established criteria. The purpose of this solution was to provide assistance to the economically affected companies and to prevent layoffs during the crisis;

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<sup>77</sup> Decree with legal force for application of the Law on Minimum Wage during a state of emergency, Official Gazette No. 88 from 3 April 2020;

Decree with legal force for application of the Law on Employment and Insurance in Case of Unemployment during a state of emergency, Official Gazette No. 89 from 3 April 2020;

Decree with legal force for application of the Law on Labour Relations during a state of emergency, Official Gazette No. 90 from 4 April 2020;

Decree with legal force for subsidising the payment of mandatory social insurance contributions during a state of emergency, Official Gazette No. 92 from 6 April 2020;

Decree with legal force for supplementing of the decree with legal force for application of the Law on Labour Relations during a state of emergency, Official Gazette, No. 113 from 1 May 2020;

Decree with legal force for amending the decree with legal force for subsidising the payment of mandatory social insurance contributions during a state of emergency, Official Gazette No. 116 from 5 May 2020;

Decree with legal force for supplementing of the decree with legal force for application of the Law on Employment and Insurance in Case of Unemployment during a state of emergency, Official Gazette No. 136 from 27 May 2020; and Decree with legal force for subsidising of contributions from the mandatory social insurance for employees in the media, Official Gazette No. 156 12 June 2020.

- Decree with legal force for application of the Law on Minimum Wage during a state of emergency, with which the minimum net wage set for March 2020, continued to apply also for April, May and June 2020.

The interventions in the above legal solutions have contributed to the reduction of the possibility of layoffs and preserving of the existing jobs.

During the year, a draft proposal was prepared and a public debate was held on the National Strategy for Development of Social Enterprises, which defined the basic objectives and activities needed to create a legal, financial and institutional framework for development of social enterprises. The objective of the Strategy is to develop a sustainable ecosystem that will be encouraging and enabling for social enterprises in the country and it envisages measures and activities grouped into four strategic priorities: Creating a culture of social entrepreneurship; Capacity building of the social enterprises and ecosystem actors; Development of markets for social enterprises and Building of financial eco-system for social enterprises.

In cooperation with the non-governmental sector and other competent bodies and institutions, an analysis of the need for amending the Law on Volunteering has been prepared.

Within the obligation for regular reporting on the implementation of the ratified conventions, as a member country of the International Labour Organisation and in accordance with the request of this Organisation, amendments to the reports on the implementation of the following conventions have been submitted: Freedom of Association and Protection of the Right to Organise Convention (C 87), Employment Service Convention (C 88), Labour Clauses (Public Contracts) (C 94), Right to Organise and Collective Bargaining Convention (C 98), Equal Remuneration Convention (C 100), Discrimination (Employment and Occupation) Convention (C111), Employment Policy Convention (C122), Paid Educational Leave Convention (C140), Human Resources Development Convention (C142), Termination of Employment Convention (C 158), Vocational Rehabilitation and Employment (Disabled Persons) Convention (C 159), Home Work Convention, 1996 (C 177) and Private Employment Agencies Convention (C 181).

Since September 2020, the consultative process for the preparation of a new text of the Law on Labour Relations continued intensively, whereby accelerated dynamics in the working group operations for preparation of the Law was determined.

The adoption of a new Law on Labour Relations is especially important in terms of reconciliation of professional and private life.

This Law which will introduce paternity leave, opportunity for the fathers to also use parental leave, opportunity to use paid leave from work for the purpose of providing care and a right to flexible work for care and custody of a child.

The Ministry of Labour and Social Policy will continue to invest in capacity building in order to cover a larger number of children in preschool education, and in further development of services for care for elderly and decrepit persons. The new text of the Law on Labour Relations, among other things, will also regulate the atypical employment contracts.

## Short-term priorities

- In the coming period, it is planned to complete the process of preparation and adoption of the new Law on Labour Relations, which will improve the legal framework for regulation and protection of workers' rights. The Law will be the result of a wide process of participation and consultation of all relevant entities, including state institutions, organisations of employers and trade unions, civil society, judges, academia, international organisations and other stakeholders. The Law will be harmonised with the European (*EU acquis*<sup>78</sup>) and international standards in the area of labour law;
- As part of the obligation and the established dynamics for regular reporting on the implementation of the ratified conventions, this year the reports on the implementation of a total of 31 conventions will be sent to the International Labour Organisation;
- During 2022, the bylaws envisaged by the new Law on Labour Relations will be prepared, including trainings planned to improve the knowledge and to strengthen the capacities of the employees in the Ministry of Labour and Social Policy and the State Inspectorate for labour, social partners and chambers of commerce, in accordance with the improved legal framework;
- In the short term, an analysis will be made of the current implementation of the Law on Employment and Insurance in Case of Unemployment and a new Law on Employment and Insurance in Case of Unemployment will be prepared through a participatory process, which will improve the legal framework governing the labour market and the operation of the Employment Service Agency. The Law will be harmonised with the relevant European and international standards;

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78 The Law is harmonised with the following directives Council Directive 1999/70/EC from 28 June 1999 concerning the Framework Agreement on Fixed-time Work concluded by ETUC, UNICE and CEEP (CELEX No.31999L0070), Directive 97/81/EC from 15 December 1997 concerning the Framework Agreement on Part-time Work concluded by UNICE, CEEP and ETUC - Annex: Framework Agreement on Part-time Work (CELEX No.31997L0081); Council Directive of 12 June 1989 introduction of measures to encourage improvements in the safety and health of workers at work (89/391/EEW) (CELEX No.31989L0391); Council Directive 92/85/EEC from 19 October 1992 on the introduction of measures to encourage improvements in the safety and health at work of pregnant workers and workers who have recently given birth or are breastfeeding (tenth individual Directive within the meaning of Article 16 (1) of Directive 89/391/EEC) (CELEX No.31992L0085); Council Directive 2001/23/EC from 12 March 2001 on the approximation of the laws of the Member States relating to the safeguarding of employees' rights in the event of transfers of undertakings, businesses or parts of undertakings or businesses (CELEX No.32001L0023); Directive 96/71/EC of the European Parliament and of the Council of 16 December 1996 concerning the posting of workers in the framework of the provision of services (CELEX No.31996L0071); Directive 2014/67/EU implementing Directive 96/71/EC on the enforcement of Directive 96/71/EC concerning the posting of workers in the framework of the provision of services and amending Regulation (EU) No 1024/2012 on administrative cooperation through the Internal Market Information System ('the IMI Regulation') (CELEX No.32014L0067); Directive



- It is planned is to establish and complete the strategic and regulatory framework for encouragement and development of social entrepreneurship, through the adoption of a multi-year Strategy for Development of Social Entrepreneurship, as well as preparation of the Law on Social Entrepreneurship. The Strategy and the legal framework for support of the social entrepreneurship are prepared through an inclusive consultation process, which will actively involve representatives of relevant state institutions, social partners, representatives of civil society – all active in this field, as well as international experts. Support for the development of social entrepreneurship will be also provided through the IPA project "Support to social enterprises", which provides for the development of a legal framework, capacity building of all stakeholders and direct support to the social enterprises;
- The competent institutions will work with the partners from the civil sector on the preparation of appropriate multi-year National Strategy for promotion and development of volunteering in the Republic of North Macedonia, as well as on preparation of the necessary amendments to the Law on Volunteering, which will provide support and further development of the volunteering in the country.

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(EU) 2018/957 of the European Parliament and of the Council of 28 June 2018 amending Directive 96/71/EC concerning the posting of workers in the framework of the provision of services (Text with EEA relevance) (CELEX No.32018L0957); Directive 2002/14/EC of the European Parliament and of the Council of 11 March 2002 establishing a general framework for information and consulting employees in the European Community (CELEX No.32002L0014); Directive 2003/88/EC of the European Parliament and of the Council of 4 November 2003 concerning certain aspects of the organisation of working time (CELEX No.32003L0088); Council Directive 2000/43/EC from 29 June 2000 implementing the principle of equal treatment between persons irrespective of racial or ethnic origin (CELEX No.32000L0043); Council Directive 2000/78/EC from 27 November 2000 establishing a general framework for equal treatment in employment and occupation (CELEX No.32000L0078); Directive 2006/54/EC of the European Parliament and of the Council of 5 July 2006 on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation (recast) (CELEX No.32006L0054); Council Directive 2004/113/EC from 13 December 2004 implementing the principle of equal treatment between men and women in access to and supply of goods and services (CELEX No.32004L0113); (CELEX No.32004L0113); Council Directive 2010/18/EU of 8 March 2010 implementing the revised Framework Agreement on Parental Leave concluded by BUSINESSEUROPE, UEAPME, CEEP and ETUC and repealing Directive 96/34/EC (CELEX No.32010L0018); Council Directive 94/33/EC from 22 June 1994 on the protection

## Medium-term/Long-term priorities

In the medium term, regular monitoring will continue of the implementation and enforcement of the labour legislation and of the appropriate reaction to the needs of its promotion, improvement and further harmonisation with European/international standards, or eventual elimination of certain identified shortcomings – all within the process of approximation of the national legislation to EU legislation in this area and transposition of relevant European directives. With the support of the EU, preparations will begin for establishment of a legal and institutional framework that guarantees the protection of employees' rights in case of insolvency of employers, in accordance with the relevant EU directive<sup>79</sup>.

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of young people at work (CELEX No.31994L0033  
79 Directive 2008/94/EC of the European Parliament and of the Council of 22 October 2008 on the protection of employees in the event of the insolvency of their employer.

# HEALTH AND SAFETY AT WORK

## Current situation

In the area of occupational safety and health (OSH), activities that were implemented during 2020 were mainly affected by the COVID-19 pandemic.

- As in most other countries in this period of global health crisis, in North Macedonia a number of different specific measures, recommendations and guidelines related to dealing with the risks of spreading and infection with the new coronavirus were prepared and published. Measures, guidelines and recommendations have been developed and promoted regarding protection and safety at the workplace and reduction of the risks of exposure to the virus among workers, intended for employers and workers in the country – they were general, but also specific, intended and targeted at certain sectors, activities and circumstances. Most of the recommendations, restrictions and decrees were prepared in consultation with the social partners. Some of these recommendations have also been issued and published by government institutions (including the Commission for Infectious Diseases, Ministry of Health, Institute of Public Health, Institute of Occupational Medicine, Ministry of Labour and Social Policy, etc.), but many of these are also adapted, prepared and published by NGOs active in the field of safety and health at work, i.e., by the social partners and associations of OSH professionals. Most of them are based on guidelines and recommendations that are internationally available (WHO, ILO, EU, etc.) and on information published related to protection and safety in view of the COVID-19 pandemic;
- Social networks and all other media were intensively used during this period in order to promote all these measures/recommendations/guidelines, as well as to provide and use accurate, relevant and verified information and news related to the situation;
- At the beginning of May, the Rulebook of the list of occupational diseases was amended, including in this list the communicable diseases caused by the COVID-19

coronavirus in prevention, health care, home visits and other similar activities in which the risk of infection has been proven. The part of the Rulebook, which describes the "Conditions and criteria for recognition of occupational diseases", prescribes the conditions for the worker to have worked in jobs and workplaces where it was possible to have had contact and exposure with the causative agent of the virus, including workers, doctors and other medical staff, veterinary staff and other support staff employed in hospitals, treatment centres, dispensaries and other health organisations and institutions;

- The Council for Safety and Health at Work, as an expert advisory body in the field of OSH, held two sessions during this period. At one of the sessions (in March 2020), the Council adopted a set of recommendations for companies regarding the implementation of legal obligations for OSH during state of emergency and the need for implementation of measures and activities for protection and prevention of the spread of coronavirus. In addition, several other trending topics and issues related to OSH and COVID-19 pandemic and the risks to the health and safety of workers arising from that were discussed at the sessions;
- In the first half of the year, based on the information submitted by various entities, the Report on realised activities and results achieved by the end of 2019 was prepared in accordance with the Strategy and Action Plan for OSH 2020. This Report was submitted to the members of the OSH Council and was reviewed and adopted at the OSH Council Meeting held in July 2020;
- Since 2020, the Ministry of Labour and Social Policy also acts as a focal point of the European Agency for OSH (EU-OSHA) from Bilbao/Spain and, within these competencies and responsibilities, a representative of the Ministry participated in several (on-line) meetings, seminars and consultative meetings during the year, as well as in activities initiated and implemented by the EU-OSHA Agency, including activities to promote the new two-year campaign for healthy workplaces (2020-2022), which will be fully dedicated to work-related musculoskeletal disorders;
- This year as well, in accordance with the provisions of the Law on Occupational Safety and Health, the professional exam for safety at work was held, which was conducted three times during the year – in January, October and December 2020;

- In order to promote and raise the awareness on safety and health at work, during the year activities were realised for significant improvement of the website of the Ministry of Labour and Social Policy by adding a whole new section dedicated to the field of "safety and health at work", which includes a large number of relevant and useful information, data, documents, links and various other content in this area (<https://www.mtsp.gov.mk/bezbednost-i-zdravje-pri-rabota.nspix>);
- The activities of the State Labour Inspectorate were aimed at controlling and implementing the measures, decisions and decrees adopted by the Government, aimed at protection and dealing with the COVID-19 pandemic, which were in force during the state of emergency, from March to June 2020. After the end of the state of emergency, new decrees, amendments to the Law on Protection of the Population from Communicable Diseases were adopted, which increased the competencies of the inspectors; numerous protocols for specific activities were adopted, so their work was aimed at implementing the novelties in the regulation – all in order to deal with the pandemic in our country;
- During the year, 25,740 supervisions were performed, out of which 15,889 supervisions in the area of labour relations and 9,851 supervisions in the area of OSH. Out of the total number of supervisions, 3,826 were regular supervisions (2,435 labour relationships and 1,391 OSH), 2,375 control supervisions (1,480 labour relationships and 895 OSH) and 18,870 extraordinary supervisions (11,971 labour relationships and 6,906 OSH). A total of 638 extraordinary supervisions were performed for the purpose of inspecting serious injuries at work and 21 supervisions for accidents at work with fatal consequences. From the total number of supervisions, 3 are supervisions coordinated with other types of inspections. The supervisions resulted in a total of 2,585 decisions on identified deficiencies, out of which 1,706 in the field of labour relations and 879 in the field of OSH. A total of 118 misdemeanour charges were pressed for identified deficiencies that violated the laws covered by the State Labour Inspectorate, out of which 63 were from labour relations and 55 from OSH. Also, a total of 11 criminal charges were pressed, out of which 4 from labour relations and 7 from OSH;
- In order to gradually resolve the situation with the lack of inspectors, in 2020, 8 new inspectors were employed in the State Labour Inspectorate in the field of labour relations (two employment procedures are ongoing)

and two inspectors were promoted. Online trainings and consultations were held for the labour inspectors on topics related to labour relations and implementation of the legislation under the circumstances of health and economic crisis caused by COVID-19.

## Short-term priorities

- The process of consultations, discussions and harmonisations with participation of all relevant factors in the field of occupational safety and health continues, expected to be finalised by the end of the year and to result in a new Law on Occupational Safety and Health. The new Law is expected to maintain the high level of compliance of the law with the relevant EU Directive<sup>80</sup>, but also to eliminate the problems and shortcomings in the existing Law that have been identified in the past period of 13 years of implementation.
- At the same time, in consultation with the stakeholders, activities will be carried out on improving the secondary legislation, i.e., the OSH regulations. In this regard, on the initiative of one of the associations of experts in the field of occupational safety, a new Rulebook on occupational safety and health with manual handling of loads will be prepared, which will replace the existing Rulebook from 2007, in order to improve it and to achieve a higher level of compliance with the relevant EU Directive<sup>81</sup>.
- In the first half of 2021, the process of preparation of a new **Strategy for Safety and Health at Work and Action Plan** for its implementation for the period after 2020 is expected to be finalised. These documents will build on the previous strategic documents and will determine the strategic priorities and directions for further development of occupational safety and health and the development of preventive culture in this area, in order to achieve higher levels of safety and protection of health of employees. The preparation of these important strategic and operational documents will be coordinated by the National Council for Occupational Safety and Health, and in that process, as it has been the case so far, the expectation is to actively involve all stakeholders and relevant entities in the country which have an impact on the preparation and implementation of policies in the field of OSH and monitoring of the situation in the field.
- In the following period, regular meetings of the

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80 Council Directive 89/391/EEC of 12 June 1989 on the introduction of measures to encourage improvements in the safety and health of workers at work (Framework Directive)

81 Council Directive 90/269/EEC of 29 May 1990 on the minimum health and safety requirements for the manual handling of loads where there is a particularly risk of back injury to workers (fourth individual Directive within the meaning of Article 16 (1) of Directive 89/391/EEC)

National Council for Occupational Safety and Health will continue, as a relevant expert advisory body, the representatives of which will discuss and adopt conclusions, recommendations, proposals and documents important for improving the situation in the field of safety and health at workplace.

- In order to intensify the efforts for improvement of capacities of the State Labour Inspectorate, it is planned for 2021 to employ 34 inspectors from both areas (21 in labour relations and 13 in OSH). Due to the natural outflow of staff (six inspectors will retire), the total number of inspectors in 2021 would be increased by additional 28.
- In the Annual Work Plan of the State Labour Inspectorate for 2021, the work of the state labour inspectors is planned in accordance with a new methodology based on risk assessment. It envisages the identification of specific risks, their scope, degree and frequency among the subjects of supervision and defining of the risk areas for successful implementation of the legislation. It is planned to carry out a total of 12,992 supervisions from both areas, out of which 693 regular supervisions, 2,366 control supervisions and 9,863 extraordinary supervisions. European campaigns will also be monitored and supported, and national promotional activities will be initiated in order to raise the awareness of the social partners and other entities on various OSH issues. Several activities are planned for promotion and dissemination of knowledge and good practices in the field of OSH, capacity building of various stakeholders for partnership and cooperation.

## Medium-term/ Long-term priorities

All relevant and competent entities will be involved in the realisation of the strategic priorities and implementation of the activities that will be foreseen in the new Strategy and in the Action Plan for safety and health at work, for the period after 2020.

In the coming period, it is expected that a large and more comprehensive project for capacity building and improvement of the situation in the field of OSH will be prepared and implemented, which will be supported by the European Union through the IPA III Programme. Within this project, activities will be primarily implemented in order to strengthen the capacities of employees in state bodies, social partners, OSH experts and other entities, including activities in order to improve cooperation and a



coordinated approach in dealing with challenges, improvement of systems for collecting, processing, publishing information and statistics related to injuries and/ or accidents at work, occupational diseases and other parameters and indicators for OSH, and a special dedication will be also paid to activities (promotional and other) that will aim to significantly raise the awareness level among the public and different entities and target groups, and their knowledge on issues related to occupational safety and health.

In the medium term, monitoring of the situation and supporting of the European campaigns will continue, as well as initiation of national campaigns and other promotional activities in order to raise the awareness of the social partners and other entities on various issues in the field of occupational safety and health.

# SOCIAL DIALOGUE

## Current situation

The Economic and Social Council (ESC) held a total of 8 sessions during 2020, at which relevant regulations and documents from the economic and social sphere were reviewed<sup>82</sup>.

The implementation of the Project "Strengthening of the Social Dialogue" funded by the EU through a direct grant from the ILO, continued during 2020 as well. Two trainings were implemented in order to strengthen the capacity of the members of the ESC and of the LESS and their standing committees, which trained about 30 people on the topic of Objectives for sustainable development and Designing basic indicators for the labour market and poverty. At the local level, in order to develop the tripartite social dialogue, four local employment pacts have been signed in four municipalities, and the local economic and social councils have a key role in their implementation. Within the project, activities have been carried out in order to improve the visibility of the social partners at a national level, using various tools for their promotion in the media, which covered 3 trade unions and one association of employers. A procedure for awarding grants to social partners was implemented, on a national level for projects that aim modernisation of services. This activity included 4 trade unions and 2 associations of employers. During this period, two branch collective agreements in the fields of health and public administration were concluded.

The activities related to determining the representativeness of trade unions and employers' associations continued during the year, through the work of the Commission for determining the representativeness, which held three sessions in this period.

The health crisis caused by COVID-19 affected the process of preparation of the new Labour Relations Law, pushing the time frame for implementation of these activities, primarily in terms of conducting effective debates, discussions and consultations on the legal solutions, with the social partners and other partners. Since the third quarter of 2020, the consultations and preparation of the new Law intensively continued, involving other stakeholders from the civil society sector, which expanded the tripartite process of preparation of the Law.

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<sup>82</sup> Draft-Law on Financial Support to Employers Affected by the Health and Economic Crisis Caused by the COVID-19 Pandemic, for Payment of Wages for the Months of October, November and December 2020; Packages of economic measures in order to reduce the impact of the health crisis on the economy, Analysis for rapid assessment of the impact of the health crisis/epidemic on the employment and policies as a response to it; Information on the participation of a tripartite delegation at the International Labour Conference in Geneva in June 2019; Seventh Report on the Revised European Social Charter, as well as other relevant documents and initiatives.

## Short-term priorities

- In the following period, activities will continue for further improvement and increase of the capacity, efficiency and visibility of the work of the ESC and promotion of the social dialogue at both national and local level.
- Measures and activities will be taken to improve the institutional capacity of the social partners, in order to increase their participation in the overall process of development and implementation of policies, participation in the creation and implementation of labour laws, as well as modernisation of their services in order to increase their membership.
- Activities of further promotion, support and development of the economic and social councils at the local level, strengthening and advancing of their mutual cooperation by creating an appropriate platform for cooperation that will enable exchange of information and mutual comparison of experiences and practices will also continue to be realised, as well as organising regular joint meetings. The participation of the LESSs in the creation and implementation of local employment policies will be strengthened, through their active involvement in the conclusion of local employment pacts and monitoring of their implementation.

## Medium-term/Long-term priorities

One of the priorities in the forthcoming period remains the continuous improvement of the mechanisms for an efficient functioning of the social dialogue at all levels.

In the medium term, the goal for establishing an improved legal framework remains, which will facilitate and, above all, encourage the social dialogue at the bipartite level, focusing on collective agreements at branch level and collective agreements at employer level.

The use of the established and functional system for peaceful settlement of labour disputes will be continuously promoted.

# EMPLOYMENT POLICY AND THE EUROPEAN SOCIAL FUND

## Current situation

### Employment policy

In terms of the labour market situation in 2020, which was entirely and all areas was affected by the health and economic crisis caused by the COVID-19 pandemic, by the end of the first half of the year, there were some negative developments and/or an interruption in the previous positive trends in the most significant statistical indicators. The activity rate decreased by 0.5 pp. (compared to the second quarter of 2019) and amounted to 65.6% (for persons aged 15-64). The employment rate increased by 0.1 percentage points and was 54.5% while the unemployment rate was 16.9 %, i.e., reduced by 0.7 pp. compared to the second quarter of 2019. The challenges remain to be particularly significant, especially in terms of still high unemployment rate, low activity, unemployment among youth and other vulnerable categories, the participation of informal employment, etc.

Despite the problems and challenges faced by the society as a whole, as a result of the outbreak of COVID-19 pandemic, accompanied by the declaration of a state of emergency throughout the country and the introduction of numerous measures in order to protect from, and prevent, the spread of the virus, during 2020 the implementation of measures and Programmes to support the labour market and employment continued, in accordance with the Operational Plan of Programmes and measures for employment and labour market services for 2020 (including the Youth Guarantee), reviewed and adopted by the Economic and Social Council and the Government in December 2019.

The planned coverage of participants with this Operational Plan was 11,596 persons who should be covered by one of the active employment Programmes and measures.

With the implementation of the Operational Plan for 2020, the following results have been achieved:

- 1,468 persons are employed in the Self-Employment Support Programme;

- 1,883 persons are employed in the Subsidised Employment Programme,
- 531 person is employed with the Programme for Employment and Growth of Legal Entities;
- 230 persons are employed with employment support Programmes for people with disabilities;
- 502 unemployed persons are involved in various training Programmes and measures;
- 1,545 unemployed are included in the internship Programme;
- 976 unemployed persons are included in the Community Work Programme (Municipal-useful work) and the Public Works Programme;
- The youth allowance, which is also part of the Operational Employment Plan 2020 and which encourages the employment of young persons in production and agricultural activities after their graduation, 3,430 unemployed persons were covered in the reporting period.

According to the results, the percentage of realisation of all active employment programmes and measures for 2020 is 91%, which is a significant result given the situation and challenges related to the pandemic.

In parallel with the programmes and measures from the Operational Plan, the implementation of the Project for self-employment with crediting and the Project for crediting of legal entities for opening new jobs continued during the year.

**The Youth Guarantee** continued to be implemented during 2020, throughout the country, and included a total of 21,873 persons during the year, out of which 6,346 had a successful exit from the Youth Guarantee. Of the young persons who were employed, 374 were employed through the employment mediation service, 1,024 were employed through some of the active employment measures, 89 became founders or managers, and 1,150 young persons were involved in some of the active employment measures that do not lead to direct employment, but increase of their employability (such as different types of training). According to these data, the success of the Youth Guarantee in 2020 is almost 30%, which is considered a great success given the crisis with the COVID-19 pandemic throughout the year, which prevented the implementation of the field work in the frames of the Youth Guarantee, as one of the main pillars of the Programme.

Activities resumed in 2020 towards the career counselling of the

youth, as an important element of the Youth Guarantee, in relation to maintenance and update of the Occupational Outlook Model. In accordance with the adopted Methodology and Work Plan for preparation and update of this Outlook for the period from 2018 to 2021, in 2020 15 new descriptions/outlooks of occupations were prepared and the existing 45 were updated with the latest statistical data. Thus, the total number of occupations within the Outlook is 60 occupations ([www.zanimanja.mk](http://www.zanimanja.mk)).

Throughout the year, the labour market situation and the implementation of employment programmes and measures were regularly monitored, including in terms of negative effects of the pandemic on employment and unemployment. Accordingly, certain measures and/or changes and adjustments to the existing ones have been designed, in order to contribute to the mitigation of the consequences of the crisis.

In this respect, in June and September 2020, certain revisions and amendments to the Operational Plan for 2020 were made, which redistributed funds between various active programmes and measures for employment and increased the planned coverage of unemployed persons, primarily within the framework of Programmes for self-employment with grants, wage subsidies and the Programme for employment and growth of legal entities. The revision of the Operational Plan also included two additional active measures, supported by EU funds (IPA 2), which facilitate the recovery from the COVID-19 crisis and mitigate the negative effect on unemployment, by opening new jobs.

One of the strategic priorities of the Government is the reduction of the informal economy, including reduction of the number of undeclared workers, and for this purpose, the first medium-term **Strategy for formalisation of the informal economy 2018-2022** was adopted in 2018, including an Action Plan for 2018-2020, and in 2020 a Report on the implementation and revision of the Action Plan was prepared.

The project for "Improvement of working conditions" which has been in implementation since November 2019 under IPA II, continued to be implemented. The project aims to provide support to institutions and social partners in the country in addressing the challenges associated with undeclared work and ensuring and promoting fair and equal treatment for all workers in terms of working conditions, better reconciling between family and professional life and reducing of gender discrimination at the workplace. One of the main components of this project is strengthening of national capacities in order to improve the situation in the country in terms of identifying, measuring and dealing with the informal economy and informal employment.

In addition, in terms of improvement of situation regarding informal

economy and informal employment, the project for "Increasing employment opportunities for seasonal workers" was implemented in the period from November 2019 to October 2020 in cooperation with GIZ, in the frames of which detailed analysis of the seasonal employment in agriculture was made, and recommendations were given on the legal definition of seasonal/flexible employment, including recommendations for appropriate policy models.

## European Social Fund

- The IPA Action Programme 2017 "EU support for education, employment and social policy" is currently being implemented, meaning 12 of the planned 16 projects in the field of employment and social policy are being implemented. Preparations for the remaining four projects are in the final stage;
- The ongoing projects were implemented with different dynamics. The pandemic and measures intended to prevent the spread of the COVID-19 virus have slowed down some project activities, especially those involving direct interaction with users. However, most of the projects have been reorganised and the activities have been implemented more intensively since September 2020;
- The financial agreement for implementation of the "EU for youth" and "EU for inclusion" actions from the IPA Programme 2019 was signed and started with implementation in March 2020. As of November 2020, a total of 8,745 young persons were registered in the "EU for youth" action (Youth Guarantee) in the Northeast, Southwest and Polog region, and 26.8% of them had a successful exit (which means they have been employed or have been included in an employment measure);
- Regarding the "EU for inclusion" action, the procedure for awarding grants "EU for Roma and people living in deep poverty" is being implemented, and negotiations are underway to support the transformation of one or two residential institutions and the establishment of non-residential social community services;
- In the period April-June 2020, the Government and the EU Delegation initiated a dialogue in order to create a new package of activities that will support the economy in the recovery period. The package of measures included in the Programme for "EU Support



to Social and Economic Resilience" (EU4Resilience) will support the Republic of North Macedonia in mitigating the negative socio-economic impacts of COVID-19. Among other things, the Programme provides support for active measures for the labour market in the amount of EUR 10 million intended for sustainable and equitable recovery in the post-corona period. The financing agreement between the Government and the European Commission on the new budget Programme "EU for social and economic resilience in the Republic of North Macedonia" was signed in September 2020. As of March 2021, 1,600 unemployed persons are expected to receive support for starting up their own business or to be employed as a result of the support that will be provided by the Employment Service Agency;

- The programming of the pre-accession assistance for the programming period 2021-2027 (IPA III) has started. The Strategic Response 2021-2027 was prepared, which contains the strategic priorities of the country for which financial support from the EU is expected through IPA III. The areas of employment and social policy are covered in the so-called Window 4 Competitiveness and Inclusive Growth, and in that part funding of two priorities is envisaged: 1) To increase the level of employment and the quality of jobs and productivity; and 2) To reduce poverty and social exclusion;
- In 2020, two plenary sessions of the sector working group "Education, Employment and Social Policy" were held (on 18 June and 16 November 2020).

## Short-term priorities

### Employment policy

- In the next period, the priorities will continue to be focused on creating conditions and creating policies, programmes and measures that will lead to further improvement of the labour market situation, especially in terms of reducing unemployment among the most vulnerable categories of persons, with special emphasis on youth unemployment (up to the age of 29), increase in employment, support for job creation, etc. Many of the activities, policies and measures that will be taken in the coming period will be aimed at mitigating the consequences caused by the global health and economic crisis, as a result of the COVID-19 pandemic, that was the predominant feature of 2020.

Having in mind that a number of important strategic and operational documents related to the labour market and employment policies in the country expire by 2020, in the forthcoming period the analyses and reports on the implementation so far and the results achieved will be used and preparation of new strategic documents and action plans will start (Employment Strategy for the period after 2020 with Action Plan for its implementation and Action Plan for youth employment 2021-2025) for the next few-years period.

These documents, same as before, will be prepared within a process of wide consultation and with active participation of all relevant entities that can contribute to creation and implementation of policies related to labour market and employment;

- Activities will begin on preparation of a new Employment Strategy for the period after 2020, within which the existing strategic priorities and objectives of employment policies in the medium and long term will be reviewed. An Action Plan for its implementation will be also prepared;
- In the forthcoming period, work will be carried out on preparation of a new Action Plan for youth employment 2021-2025, within which the existing strategic priorities and objectives related to the young unemployed persons up to 29 years of age will be revised, within the macro/micro economic, educational and employment

policies. Before the preparation of the new Action Plan, a review will be made of the level of realisation of the planned activities from the current Youth Employment Action Plan 2016-2020;

- In accordance with the established dynamics and practice, in March 2021 the new Operational Plan for active Programmes and measures for employment and labour market services for 2021 was adopted, which was prepared with the involvement of all relevant entities. This Operational Plan envisages measures for support of unemployed persons who remained jobless as a result of the COVID-19 crisis, measures related to the Youth Guarantee, as well as measures for activation of the beneficiaries of the guaranteed minimum assistance (according to the reforms in the social protection system). The budget for the Operational Plan for 2021 amounts to just over MKD 1.5 billion (about EUR 24.65 million), which maintains the trend of continuous increase of funds allocated for financing employment policies and programmes;
- In the forthcoming period, work will be carried out on preparation of the Law on Youth Guarantee, taking into account the experiences of the European countries that have introduced such a law, and expert and technical assistance will be requested from the International Labour Organisation (ILO) during the preparation;
- The "Youth Guarantee" Programme will continue with implementation throughout the country in the coming period.
- In support of the policies for young persons, the activities related to maintenance and continuous updating of the Occupational Outlook Model will continue in the coming period, which will be taking place in accordance with the methodology and dynamics of the Work Plan for preparation and updating of the Outlook of occupations for the period 2018-2021. According to the plan, by the end of 2021, the total number of developed and updated reviews of occupations, posted on the web portal, is planned to be 75 <https://zanimanja.mk> and the activities will continue in accordance with the planned dynamics, which means 15 new occupations per year;
- As part of implementation of the project for "Improvement of data quality and strengthening of policy-making" (supported by IPA II), activities will be carried out throughout the year on updating of the system for predicting labour market tendencies (HERMAC model) and increasing of the analytical capacity for working with existing data and for forecasting;

- One of the priorities that will be worked on in the next period is further strengthening and improvement of capacities and cooperation of the relevant entities in the implementation of policies for dealing with undeclared work and informal employment. In that direction, the activities envisaged by the Strategy for formalisation of the informal economy 2018-2022 will continue, and significant support in the realisation of activities in this area will be provided through the implementation of the project for "Improvement of working conditions" (IPA II);
- In 2021, a new Action Plan for formalisation of the informal economy will be prepared, which will cover the period 2021-2022.

## European Social Fund

The pre-accession assistance for the period 2014-2020 is strategically targeted and linked to structural reforms that will help transform the Education, Employment and Social Policy sector and bring it closer to EU standards.

- Priority shall be effective implementation of the projects that will be financed by the "EU support to the sector Education, Employment and Social Policy" action (IPA 2017) in order to support the reforms in the sector.

The implementation of the project continues, which envisages strengthening of the influence social dialogue institution in the creation of socio-economic policies. Furthermore, a group of projects is supporting the development of community services for people with disabilities, which is one of the strategic pillars in the Deinstitutionalisation Strategy 2018-2027 "Timjanik".

The project for improvement of the working conditions will introduce mechanisms for formalisation of the undeclared work in the service sectors in which it is most present and it is an integral part of the Strategy for formalisation of the informal economy 2018-2022. The Employment Service Agency will implement the project for activating of the beneficiaries of guaranteed minimum assistance and thus will contribute to implementation of the social reforms. IPA 2017 also supports the Government efforts to improve the

access and quality of the preschool education and care, especially by developing a system of professional and career development of the staff and strengthening of the parental involvement;

- At the same time, the implementation of the "EU for inclusion" and "EU for youth" actions from the IPA Programme 2019 continues. The "EU for inclusion" action is aimed at social, educational and economic inclusion of people from the most vulnerable groups, especially Roma, and people who live in deep poverty. The "EU for youth" action, implemented as a sectoral budget support, will contribute to improvement of the vocational education and training system and improvement of the employment opportunities for young men and women;
  - The programming cycle of the IPA allocations for the new financial perspective 2021-2027 (IPA 3) will be completed by identifying "mature" projects in accordance with the Strategic Response of the Government. Within the Programme year of 2022, the following three projects will be prepared: 1) Strengthening occupational safety and health, 2) Promoting gender equality and 3) Establishing a system for monitoring and ensuring the quality of social services;
  - In order to strengthen the dialogue and coordination in the sector, the sector working group will continue with the established practice of holding meetings in order to discuss the progress of the policies, IPA Programming, and other trending issues.
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## Medium-term/Long-term priorities

### Employment policy

- The implementation of policies, measures and activities aimed at addressing the challenges faced by the labour market in the country will continue, primarily in terms of improving the unemployment situation, especially among the most vulnerable categories of people (young people, long-term unemployed, people with disability, socially endangered persons, etc.), through the implementation of the prepared strategic and operational documents in the field of employment and labour market;
- Within the medium-term priorities and in accordance with the established practice and dynamics, the annual Operational Plans will be prepared, which will elaborate in detail the active programmes and measures for employment and services on the labour market, which will be adapted to the current situation, challenges and specific needs of the labour market in the country;
- In parallel, the activities for further strengthening of the capacities of all relevant entities in anticipating the tendencies and needs on the labour market, including planning, creating and implementing employment policies, improvement of the monitoring and evaluation process, strengthening of the inter-institutional cooperation in order to improve the success of the employment policies through trainings, seminars and workshops, ensuring of active involvement of the social partners and the civil sector in the process of creating and implementing employment policies will continue, etc.

## European social fund

The implementation of the projects financed by the "EU Support to the Education, Employment and Social Policy Sector" (IPA 2017), "EU for Inclusion" (IPA 2019) and "EU for Youth" (IPA 2019) actions will be completed. An evaluation of the effects of the programmes and projects financed by IPA 2017 and IPA 2019 will be conducted.

At the same time, it is planned to start more intensively the implementation of programmes and projects financed by the Instrument for Pre-Accession Assistance 2021-2027 (IPA 3).





# SOCIAL INCLUSION

## Current situation

### Child protection

- The reform of the social protection system from 2019 has contributed to the improvement of the living conditions of the children. The child poverty rate (0-17) in 2019, compared to 2018, decreased from 29.3% to 27.8%, and the poverty rates in all households with dependent children decreased, with the exception of single parents. However, the pandemic caused by the global spreading of coronavirus COVID-19 is expected to increase the child poverty and to have negative impact on the social, educational and health well-being of children, where the most vulnerable (e.g. those living in poverty, children with special needs and without parental care) will be most affected. The children were directly affected, with the closure of the schools and preschool institutions in the period March-September, the social distancing and isolation, which impacted their educational, cognitive and psycho-emotional development. The children are also indirectly affected by the reduction of the household income, which reduces their material and social well-being;
- However, the government measures intended to mitigate the effects of COVID-19, such as job retention measures and loosening of the criteria for guaranteed minimum assistance, have played a key role in preventing a significant increase in the child poverty, as most of these measures have targeted precisely households with children;
- Due to the COVID-19 situation, the Government adopted a measure for closing of the educational process in all institutions for care and education of children in the period from 10 March to 9 September 2020. At the same time, one parent of a child aged 10 or under was relieved of his or her job responsibilities. In order to protect the health and safety of children, after the end of the state of emergency, a Protocol on activities in child care and upbringing institutions was prepared, which contains measures and activities to be undertaken by institutions, educational staff and

parents in order to ensure greater safety and security of children and staff in kindergartens. According to the Protocol, the kindergartens are working with reduced capacity and less children in the groups (not more than 12 children in the groups with children of up to 2 years of age; and not more than 15 children in the groups with children of 2 to 10 years of age);

- In order to assist the learning of the children, during the state of emergency the educators and pedagogues from the kindergartens implemented an educational Programme ("TV classroom", which was broadcasted on the three channels of the national television service of MRTV) and realised educational content according the age of the children;
- With the support of UNICEF, a national Eduino platform has been established, on which educators can find video stories, resources, games and various activities to support the educational process. The purpose of the platform is to grow into a collective platform, where parents and educators will mutually cooperate and create, check and publish new resources, thus building the first national library of digital educational materials in our country;
- In order to increase the coverage of children in preschool education, four institutions for children - kindergartens and 5 new facilities in existing institutions for children - kindergartens were opened by the end of 2020, and three changes were made in the spatial conditions in public institutions for children - kindergartens. Two private kindergartens have been opened. In 2020, the total number of children aged 0-6 in public and private institutions for children has increased by 686 children compared to 2019;
- In order to alleviate the unfavourable staff-to-child ratio, new educators, caregivers and other staff in kindergartens were hired during 2020. In the same year, 477 people were employed and 166 people were promoted;
- Ministry of Labour and Social Policy (MLSP), in cooperation with UNICEF is intensively implementing the Programme for peer support in preschool institutions in 2020, in order to improve the quality of

services and strengthen the professional competencies of employees working in institutions for children. At the same time, with the support of the EU, intensive work is being done on the preparation of standards for qualifications and competencies for the employees in the preschool institutions.

## Roma

In the reporting period, the implementation of measures and programmes aimed at improving the position of the Roma continued, in accordance with the existing strategies and operational plans.

- In terms of access to preschool education, 481 children were covered in 18 municipalities (18 kindergartens) in the school year 2019/2020 (as of June 2020);
- The Roma Information Centres (RICs) provided 126 services focusing on social services and informing of communities about employment measures and programmes (subsidies, internships, training for jobs in demand);
- In accordance with the Law on Unregistered Persons in Birth Register, adopted in early 2020, a working group was established in order to monitor and implement the Action Plan for enforcement of the Law. Bylaws were also adopted on keeping records of persons who are not registered in the birth register and for obtaining a special identification document. These persons are exempt from all fees for obtaining the special birth certificate;
- Following the coronavirus pandemic outbreak, on the basis of a Decree with legal force, the deadline for submission of request to the competent institutions for obtaining a special birth certificate and a separate identification document was postponed. Humanitarian packages were also provided to all 700 unregistered persons;
- The Law on Amendments to Law on Social Protection was adopted and published in the Official Gazette No. 311 from 28 December 2020. It enabled the persons who received a certificate from the special birth register and identification document to exercise the rights to social protection;
- Fifteen families (101 persons, 35 adults and 66 children) were moved and placed in temporary shelters in Vizbegovo. For these persons, as well as for the families

accommodated in Ranka Milanovic, packages with food and hygiene products were provided. The children were additionally provided with packages of clothes and school supplies. In addition, experts from the social work services and the non-governmental sector are working with these people on an individual level in order to improve their situation until the end of their stay in the institution;

- Due to the COVID-19 pandemic, all activities were focused on providing humanitarian support and monitoring of the government measures. In cooperation with the municipalities, with several donors and Roma NGOs, food and hygiene packages were distributed to 1,960 poorest Roma families in 12 municipalities in North Macedonia through the structures of ROMA KTED. It is also planned to continue the implementation of the small grants in 12 municipalities supported by ROMA KTED and to allocate additional funds for dealing with the pandemic;
  - The National Coordination Body continued to work during the pandemic. In November 2020, a special meeting on issues related to inclusion of the Roma community was held within the Subcommittee on Justice and Home Affairs. The results of the realisation of the conclusions from the eighth Seminar for social integration of the Roma, held in 2019, were presented at the meeting.
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## Short-term priorities

### Child protection

In accordance with the principle that children have the right to quality preschool care, upbringing and education, the expansion of capacities for protection and education of children will continue.

- Within the Social Services Improvement Project (World Bank loan), grants continue to be awarded to municipalities for construction of new facilities or expansion of existing ones, by upgrading and adapting the space of other public institutions. The increase of kindergarten capacity will be financed by IPA II. At the same time, the manner of funding of the preschool education will be redefined in order to make it accessible to all children.
- In order to improve the preschool education, a system for quality evaluation in the preschool education system will be developed. In that regard, the implementation of the process of adaptation of an instrument for measuring early childhood development by analysing the quality and outcomes of early learning, called MELQO (Measuring, Early Learning Quality and Outcomes), has begun. The process will yield results and conclusions regarding what needs to be changed in the system of preschool care, upbringing and education, as well as data that will be the basis for comparison with the data that will be obtained with additional measurements using this instrument and foreseen for 2022 and 2023.
- The implementation of the project "Raising the quality of pre-school education and care" continues, with EU financial assistance, which provides for development of the system for professional and career development of the preschool staff, redesign of the staff licensing system and improvement of the counselling work with parents, especially with those who have children with special educational needs.
- Funds from a World Bank loan will provide support to the system for continuous professional development and career advancement of practitioners (educators and caregivers) in preschool institutions. Educators' competencies for learning through problem solving and play will be strengthened.

## Roma

The priority in the next period is to continue to improve the social inclusion of the Roma and thus, the implementation of the activities of the Strategy for Roma will continue.

- In 2021, the work of the National Coordination Body for Coordination and Monitoring of the Implementation of the Activities in accordance with the Strategy for Roma will continue. A new Strategy for Roma will be prepared.
- Efforts for finding systematic solution for the engagement of the employees in the Roma information centres will continue, as well as the projects and measures for support of employment of the Roma and other persons at risk of social exclusion.
- The support for inclusion of Roma children coming from families exposed at social risk in preschool education continues as well.
- In order to improve the access to housing for Roma and other people at risk, a new Law on Social Housing will be drafted. At the same time, a group of EU-funded projects are being implemented in order to facilitate access to housing and other social services for Roma.
- Activities will be carried out on implementation of the Law on Unregistered Persons in the Birth Registry, having in mind that, by the end of December 2020, all registered persons out in the field should submit a request for issuing of a temporary birth certificate with which they can obtain a temporary ID card. With these identification documents, these persons will be able to exercise their rights in health care, social security, employment and education. So far, a total of 207 applications for issuance of a temporary birth certificate have been submitted, out of which a total of 38 persons have temporarily received ID card (13 people in 2020 and 25 people in 2021).
- In cooperation with Roma organisations, activities will be implemented in order to support the people living under the Kale fortress in Skopje, for the purpose of their integration in the labour market, provision of social and health care, provision of personal identification documents and inclusion of the children in the education system.
- A revision of the Strategy for Reintegration of Returnees from the Western Balkans and continuous monitoring

of the inclusion of Roma and Roma refugees are also envisaged.

## Medium-term/Long-term priorities

### Child protection

- Strengthening of the human capital continues by improving the quality and availability of preschool care, upbringing and education, and especially providing equal access to quality inclusive education in early childhood development.
  - With funds provided in cooperation with the World Bank, the EU and UNICEF, activities will continue aimed at increasing the quality of early childhood development services.
  - The implementation of the Social Services Improvement Project will continue, in order to invest in new facilities that will enable access for preschool children (especially children aged 3-6) to care and institutions for upbringing, with an emphasis on rural areas.
  - The effectiveness of the reformed system for protection of child rights aimed at reduction of the child poverty will be monitored and, if necessary, corrections and adjustments of the cash benefits will be carried out
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## Roma

Implementation of sustainable solutions for social and economic integration of Roma in all areas of social life continues to be a long-term priority. Activities for social inclusion of Roma, inclusion of Roma children in preschool education, support for employment of Roma, as well as activities for social housing will also continue.



# SOCIAL PROTECTION

## Current situation

- The reform of the social protection system from 2019 contributed to the improvement of the living conditions of children and the elderly. However, the overall poverty did not decrease (21.9%), as other government policies, such as raising of minimum salary, salary subsidies, and growing of the economy have raised the poverty threshold. Child poverty, poverty of households with children and poverty of singles over 65 years of age declined in 2019 compared to 2018. However, the crisis caused by the coronavirus threatens to undo the positive trends in the living conditions that were in place in the pre-crisis period and to plunge more citizens into poverty.
- In order to mitigate the negative consequences of the crisis and to facilitate the access to the right to guaranteed minimum assistance (GMS) for people without own means of subsistence, and especially of those whose employment was terminated during the COVID-19 pandemic, in April 2020 the Government amended the Decree with force in law for application of the Law on Social Protection during state of emergency. The facilitated conditions for exercising the right to GMP were valid from April to December 2020, and had a potential to lift a large number of citizens out of extreme poverty. The cash allowance intended to cover some of the costs for energy consumption in the household was provided continuously, on a monthly basis, during 2020. The Law on Amendments to the Law on Social Protection is in the process of being adopted, in order to protect the households in extraordinary circumstances, including epidemics.
- As a result of the facilitated access to the GMP right and in accordance with the dynamics of submitted applications and the duration of the pandemic, about 3,500 new households are expected to be covered by the end of 2020 (these households will continue to

exercise the right in 2021 as well), while in 2021, 6,500 new households will acquire this right (which is a total of 10,000 households).

- In 2020, a report was prepared on the implementation of the National Strategy for Deinstitutionalisation 2018-2027 "Timjanik" in the period 2018 - March 2020. The findings in the Report are very positive, and the Report itself provides guidance for future. However, the COVID-19 pandemic has greatly hampered and slowed down the implementation of the National Strategy.
- The key efforts of the Ministry of Labour and Social Policy were aimed at preventing the spread of COVID-19 in social institutions and social service providers. This included adapting the work of the institutions and service providers, preparing appropriate protocols, providing personal protective equipment and hygiene items, and so on. The rapid response helped to minimize the number of employees and users who became infected with the coronavirus in the residential institutions. All cases were isolated in a timely manner. The work of the day care centres for children and persons with disabilities was temporarily suspended in March 2020, at the expense of which the Government released the parents/guardians of these children and persons from their work responsibilities, while providing for the full amount of their salary. At the end of August, a special protocol for day care centres was adopted, and by the month of November, 29 out of 33 day care centres in the country started operating again, offering services to about 300 users (compared to 450 in all day care centres in March 2020).
- The impact of the pandemic was particularly negative on the process of relocation of the community of adult beneficiaries who are still housed in residential social institutions for persons with disabilities - a total of around 260 persons (November 2020). The relocation of these adult beneficiaries with disabilities was

temporarily halted following the relocation to a living unit which supported two persons from Banja Banskospa in January 2020.

- The transformation of the social institutions has continued: The preparations for opening of centres for support of foster families in Skopje and Bitola, which will work within the former institutions for long-term child care, are in the final phase. The new centres will pay particular attention to supporting foster persons caring for children (and adults) with disabilities. The preparations for establishment of respite service are being completed in the Special Institution Demir Kapija. Possibilities are being considered for complete reconstruction and equipping of one of the residential social institutions into a modern community social service provider, with financial and technical support from the EU.
- The Ministry of Labour and Social Policy continues to adhere to the moratorium on admission of new adult beneficiaries into the residential institutions, as a direct measure to prevent the institutionalisation. In cases where there is a need for extra-family protection, solutions are sought and found locally, using all available community resources.
- In order to expand the availability of the social services in the community, agreements for financial support (grants) were signed in October and November by the Ministry of Labour and Social Policy with 24 municipalities in order to establish new social services in the community. A total of EUR 750 thousand (out of over 10 million that the World Bank is making available as a loan until 2024) will be used to establish new social services, in accordance with the previously identified needs of citizens. The following services will be developed: assistance and care at home, day care centres for children with disabilities, day care centre for the elderly, rehabilitation of people with disabilities, living with support for women victims of violence and early intervention for children with disabilities. After the establishment, the services will be financed from the State Budget, in accordance with the new Law on Social Protection.
- In accordance with the new Law on Social Protection, eight municipalities (Veles, Bitola, Strumica, Shtip, Demir

Kapija, Kriva Palanka, Chucher Sandevo and Kavadarci) prepared local plans for social inclusion, which confirms the commitment of these municipalities in the planning and development of the social protection at the local level.

## Short-term priorities

During 2021, an analysis of the implementation of **the Programme for development of the social protection 2011-2021** will be implemented, on the basis of which activities will be implemented during 2021 to prepare a new Programme for further development of the social protection, in the medium and long term.

- The challenge for the next period remains the activation on the labour market of the socially disadvantaged persons (beneficiaries of guaranteed minimum assistance, Roma, etc.) who are able to work, in order to resolve the material insecurity of the household. In addition to the envisaged cooperation and integrated approach between the employment and social protection services, specific services will be introduced for activation and employment support of socially disadvantaged persons in order to strengthen their work capacities and encourage their active participation in the labour market, job search and employment. Additionally, there will be activities for development of social entrepreneurship, in order to create jobs and include the most vulnerable categories on the labour market. In the first phase, the introduction of new services will be financially supported within the project "Activation of vulnerable groups on the labour market", while the development of social entrepreneurship will be supported within the project "Support to social enterprises" – both (co)funded by the EU (for more information, see the Labour Law section).
- It is planned to support the employment of persons with disabilities and to prepare a new Law on Employment of Persons with Disabilities which will introduce professional rehabilitation.
- At the same time, efforts will be made to strengthen the availability of the social services, the provision of social services by various providers and the development

of social services in the local governments. The development of social services at the local level will be financed through the "Social Services Improvement Project", provided with a loan from the World Bank, which is expected to strengthen the involvement of the municipalities in the planning, development and provision of social services at the local level.

- The implementation of the National Strategy for Deinstitutionalisation 2018-2027 will continue in 2021, with priority on establishing new services in the community and reducing the number of people cared for in residential social institutions for people with disabilities.
- In the first quarter of the year, the first two centres for support of foster families in Skopje and Bitola will start working and the respite service for family care will be established in Demir Kapija, as part of the transformation of residential social institutions. Both services are being introduced for the first time in the country.
- The assistance and care at home will begin to be provided for at least 200 people by the end of the year. The number of users of the personal assistance service is expected to increase by at least 20% by the end of 2021 (compared to 146 users in November 2020).
- The relocation of adult beneficiaries from institutions for long-term care of adults with disabilities will continue - at least 50 people will be relocated from community institutions and receive appropriate care. Support in the implementation of the Deinstitutionalisation Strategy in the coming period will be provided through EU funded projects (IPA II), which are particularly focused on relocation of beneficiaries from the Special Institution "Demir Kapija" in the newly established community services and strengthening of the capacity of the service providers.
- With the support of the IPA project "Modernisation of the deinstitutionalisation of the social protection services", strengthening of capacities of the social protection stakeholders will be ensured, including for the service providers, in terms of establishment, management, financing and delivery of quality, effective and efficient social services in the community for people with disabilities.



- The implementation of the first Action Plan for the implementation of the National Strategy for Deinstitutionalisation 2018-2027 will be evaluated. In 2021, and a new Action Plan for implementation of the Strategy for the period after 2021 will be prepared.
- The implementation of the "Social Insurance and Pension Administration Project (SIPA)" continues. The project will contribute to the consolidation of the social security registers, the introduction of an integrated system for assessing of all rights based on disability, the introduction of a new system of professional rehabilitation and the revision of the list of jobs defined as dangerous and difficult occupations that are suitable for early retirement.

## Medium-term/Long-term priorities

- In the next period, the efforts for strengthening the institutional mechanisms in the social protection system will continue, providing an adequate level of cash benefits intended for overcoming of the poverty and measures for social inclusion of the vulnerable categories of citizens. In that sense, the activities for establishing a system of adequate social services in order to improve the quality of life of the most vulnerable categories of citizens and their inclusion in society will continue. An important aspect is also the establishment of a comprehensive system for monitoring, supervision and quality control of the social services, including the introduction of a new software solution for more efficient administration of cash rights and social services.
- In terms of the deinstitutionalisation process, the medium-term and long-term priorities are set out in the National Deinstitutionalisation Strategy 2018-2027 and the Action Plan for implementation. The key commitments are aimed at creating social services in the community through pluralisation and decentralisation of the social services system. This means, as stated above, expansion of the diversity of services available, increased coverage in geographical terms and increased number of social service users.
- The reform of the disability insurance system, which includes consolidation of procedures and records in



the area of pension and disability insurance, will be completed.

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# ANTI-DISCRIMINATION AND EQUAL OPPORTUNITIES

## Current situation

### Anti-discrimination

- In 2020, at the initiative of the Commission for Protection against Discrimination, the Law on Prevention and Protection against Discrimination was repealed<sup>83</sup>, by Decision of the Constitutional Court.
- In October 2020, the Law on Prevention and Protection against Discrimination was adopted<sup>84</sup>, fully compliant with EU Directives<sup>85</sup> and international standards. The Law envisages new competencies and professionalisation of the Commission for Protection against Discrimination and thus creates a framework for a more efficient equality body. Within 2 years, all legislation should be harmonised with this Law.
- The Assembly implemented the procedure for appointing the members of the Commission for Prevention and Protection against Discrimination, in accordance with the deadlines set by the Law.
- The National Coordinating Body for Non-Discrimination and Equality, with the support of the OSCE, drafted an Amendment to the Civil Servants Code in accordance with the new Law on Prevention and Protection Against Discrimination, a Guide on the Public Sector Duties under the new Law on Prevention and Protection Against Discrimination and a Methodology for collecting statistical data in accordance with the new Law on Prevention and Protection Against Discrimination.
- The Ministry of Labour and Social Policy provided support and in 2020, during the pandemic, the Subversive Front NGO established the first national SOS line for the LGBTI people.
- The preparation of a National Action Plan on the rights of the LGBTI community in the field of employment,

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<sup>83</sup> Official Gazette No. 101/2019

<sup>84</sup> Official Gazette No. 258/2020

<sup>85</sup> Directive 2000/78/EC of the Council of 27 November 2000 establishing a general framework for equal treatment in employment and occupation, Directive 2004/113/EC of the Council of 13 December 2004 implementing the principle of equal treatment between men and women in the access to and supply of goods and services and Directive 2006/54/EC on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation (recast).

health, education and access to justice started in 2020.

- Furthermore, the implementation of the recommendations from the European Commission Report against racism and intolerance at the Council of Europe was analysed with expert support from the Council of Europe.

## Gender equality

- An evaluation of the overall implementation of the Gender Equality Strategy 2013-2020 has been prepared, which will serve as a basis for preparation of a new Gender Equality Strategy 2021-2028 and of the National Action Plan for Gender Equality 2021-2023.
- The gender responsive budgeting aims to ensure that the foreseen and allocated funds are equally taking into account and meet the needs, interests and priorities of both women and men. With the support of the United Nations Women body, training on gender equality and strategic planning for public administration was conducted.
- On 29 January 2021, the Assembly adopted the Law on Prevention and Protection from Violence against Women and Domestic Violence (Official Gazette 24/21) in accordance with the Convention on Prevention and Combating of Violence against Women and Domestic Violence (Istanbul Convention). The purpose of the Law is to prevent all forms of gender-based violence against women and domestic violence and to establish services, measures and mechanisms for protection of victims of gender-based violence and domestic violence, and respect for fundamental human rights and freedoms guaranteed by the Constitution and ratified international agreements.
- Following the introduction of measures aimed at dealing with COVID-19 pandemic and the increased risk of increasing domestic violence, the authorities paid particular attention and expanded their activities to provide adequate assistance and protect women and children from all forms of violence. There are 11 specialised services for accommodation of victims of domestic violence on the territory of the country, 10 specialised services that provide psychosocial assistance and support to victims of domestic violence and SOS lines that provide timely and confidential information for protection of victims, available services as well as

telephone counselling for victims of domestic violence. More than 1,300 food and hygiene kits were distributed as an immediate response to the victims of domestic violence most affected by the crisis.

- There was also a campaign for reporting of domestic violence through social networks and the national broadcasting service. The Ministry of Labour and Social Policy also distributed flyers with basic information on reporting domestic violence, i.e., where the victim should turn for help and the services available.
- All police stations were provided with contact telephones of the counselling centres who work with women victims of gender/domestic violence, of the civil society organisations, and telephone numbers of the National Service for implementation of the following protection measures: accommodation in a centre for persons - victims of domestic violence, health care, psycho-social intervention and treatment, psycho-social treatment in a counselling centre, family support for regular education of a child, legal aid and advocacy and economic empowerment of the victim through her active involvement on the labour market. The victims of domestic and gender-based violence were exempted from travel bans and sanctions during the lockdown.

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## Short-term priorities

### Anti-discrimination

- There will be continuous work on the promotion and advancement of equality in order to overcome the differences in the access to rights between citizens. For that purpose, the harmonisation of the legislation with the new Law on Prevention and Protection against Discrimination will continue.
- Additionally, a methodology for data collection will be prepared in accordance with the Law on Prevention and Protection against Discrimination, on the basis of which discrimination can be identified, measured and monitored, as well as to design and implement effective measures.
- The National Coordinating Body for Non-Discrimination will continue to work in the next period as well, monitoring the legislation and giving proposals for incorporation of the concept of non-discrimination.

- During 2021, the National Coordination Body will prepare a new Strategy for Equality and Non-Discrimination and a National Action Plan.
- In 2021, the preparation of the National Action Plan on the rights of the LGBTI community in the field of employment, health, education and access to justice will be completed. The National Action Plan is planned to be adopted by the Government by the middle of the year.
- Continuous implementation of trainings on non-discrimination and against hate speech for the civil and public servants will continue. Trainers at these events will be the members of the National Coordination Body for Non-Discrimination and Equality. In 2021, the trainings will include police officers, teachers and health workers.

## Gender equality

- In terms of the Law on Equal Opportunities for Men and Women, the title of this Law will be changed into a Law on Gender Equality (instead of the Law on Amendments to the Law on Equal Opportunities for Women and Men). The Law will be aimed at promoting gender equality and its more effective implementation.
- A Centre of Excellence and a training centre for gender responsive budgeting and policy making will be established<sup>86</sup>. This Centre will enable capacity building of the civil servants through learning about gender responsive budgeting and policy making.
- A new **Strategy for Gender Equality 2021-2028 and a National Action Plan** for Gender Equality 2021-2023 will be prepared. These documents will build on the previous strategic documents and shall set out the strategic priorities and directions in order to promote gender equality. A special National Action Plan for Women and Climate Change will be prepared. The calculation of a new gender equality index for 2020 will begin, which is a key indicator for measuring of gender equality, on the basis of which measures and policies are being developed in order to reduce the inequality in all areas of life.
- A working group will be established in order to work on preparation of the amendments to the Law on Protection from Harassment at Work. When preparing the amendments to the Law, the analysis of its

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<sup>86</sup> With support of the UN Women Project for “Promoting the Institutionalisation of Gender Responsive Budgeting through Systematic Integration of the Gender Perspective in the Strategic Planning and Programming of the Government Institutions in North Macedonia”

implementation so far, which was prepared in 2019, will be taken into account.

- With the support of the EU, activities will be implemented for development and implementation of solutions for reconciliation of family and professional life and reduction of discrimination on the workplace on the basis of gender. More specifically, the project "Improving the working conditions" will contribute by supporting private and/or public sector organisations in the introduction of flexible forms of work organisation that facilitate the reconciliation of work and family life of the employees.
  - For the purpose of protection against gender-based violence, bylaws and standard operating procedures for implementation of the Law on Violence against Women and Domestic Violence in accordance with the Convention on Preventing and Combating Violence against Women will be adopted. A special Protocol for dealing with victims of gender-based violence will also be adopted. Special attention will be paid to conducting trainings for perpetrators, women and children and to raising awareness about gender-based violence in accordance with the Istanbul Convention.
  - The improvement of the system for prevention, and protection, of victims of domestic violence will continue in 2021. At least 10 new specialised services will be introduced. The financing of the civil society organisations that specialised services for victims of domestic violence and their capacity building will continue.
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## Medium-term/Long-term priorities

### Anti-discrimination

The efforts to strengthen the institutional mechanisms for prevention and protection against discrimination and promotion of equal opportunities will continue in the coming period.

The process of harmonisation of all relevant laws with the Law on Prevention and Protection against Discrimination will be completed. At the same time, the activities for further strengthening of capacities of all relevant entities regarding the non-discrimination concept will continue.

## Gender equality

The efforts to implement gender responsive budgeting in strategic planning, policy-making, and Government budgeting processes will continue. Efforts will also continue on strengthening of capacity of civil servants in the line ministries in order to incorporate the gender perspective into the policies and budgets. Among other things, attention will be paid to improving the quality and availability of data collected in accordance with the Law on Equal Opportunities for Men and Women and the Law on Prevention and Protection against Discrimination, as well as strengthening of the capacity of the institutions involved in these processes.

There will be activities on strengthening the mechanisms for promotion of gender equality at the local level.

In order to improve the system for protection of victims of domestic violence, the implementation of the activities provided in the Action Plan for implementation of the Istanbul Convention 2018-2023 will continue. Among other things, an integrated data collection system for victims of gender-based and domestic violence will be established, and the capacity of institutions and service providers for victims of various forms of violence will be continuously strengthened..

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# ENTERPRISES AND INDUSTRIAL POLICY

## Findings and recommendations from the EC 2020 Report

The country is **moderately prepared** in this area. **Some progress** was achieved in implementing the strategy to fight the informal economy, increasing financial support to companies and improving the structure of public dialogue with businesses. Since not all recommendations from the previous year were fully implemented, in the coming year North Macedonia should:

- ▶ consolidate the institutional setup and further clarify the mandates of public bodies and ensure the effective implementation, monitoring and evaluation of adopted and implemented strategies and policy measures;
- ▶ continue implementing, assess and renew the strategy and action plan for formalising the informal economy, with specific attention to its business environment component;
- ▶ elaborate further productivity raising measures to increase competitiveness of domestic companies and facilitate their integration in global value chains.

# ENTERPRISE AND INDUSTRIAL POLICY PRINCIPLES

## Current situation

Creating a competitive economy remains one of the highest priorities of the Government. For that purpose, several strategic documents and action plans were adopted and implemented.

Key Strategic Documents are the following: Industrial Strategy 2018-2027 with Action Plan, which integrates the Economic Growth Plan, the Small and Medium Enterprise Strategy 2018-2023 with Action Plan, Women Entrepreneurship Development Strategy 2019 – 2023, the Innovation Strategy and other related documents such as the ERP and the Government Programme.

In addition to the national documents, several activities related to MAP REA and the Common Regional Market are being coordinated, where specific activities are used in order to support the increase of cooperation between the countries of the Western Balkans.

A Coordination Body has been established for implementation of the Small and Medium Enterprises Strategy 2018-2023, with the main task of drafting a Law on Small and Medium Enterprises. The purpose of this Law is to define small and medium enterprises in order to ensure conformity in the granting of state aid, but also to define the institutional framework for implementation of the policies for small and medium enterprises, as well as the entrepreneurial infrastructure.

In 2020, in view of the new situation with COVID-19, several decrees were adopted in order to reduce the negative economic and social effects.

From the aspect of creating a new vision for development of the economy, based on the existing economic, innovative and research capacities, a Strategy for Smart Specialisation is being developed in cooperation and by following the methodology of the JRC. A working group has been established, composed of representatives of institutions, science and chambers, for the purpose of joint dialogue in the process. After the completion of the mapping of the economic, innovative and research capacities, a list of 19 sectors that have the potential for smart specialisation was obtained. By grouping them, domains for specialisation are defined, for which a more detailed – qualitative analysis – will be made. The qualitative

analysis is based on the methodology of the JRC and the Chamber of Commerce as a local partner.

The qualitative analysis is conducted in the six potential priority areas proposed for smart specialisation:

1. Sustainable production of food and beverages and value chains
2. Sector for Information and Communication Technologies (ICT)
3. Smart/ sustainable buildings and materials (civil engineering, sustainable materials, transition to circular economy)
4. Electrical equipment and mechanical parts (electrical equipment, machinery and engine parts, machinery and machine tools, mechanical devices, accessories for motor vehicles)
5. Sustainable tourism and catering (accommodation and restaurants and food services, cultural tourism, adventure tourism, event catering and other food services)
6. Energy for the future (decarbonisation of the economy - renewable energy, energy efficiency, sustainable energy).

The Smart Specialisation Strategy will be linked to the Industrial Strategy, the Competitiveness Strategy and the Innovation Strategy. This completes the strategic framework and defines the drivers for fostering competitiveness. The next phase, starting in 2021, will be an Entrepreneurial Discovery Process, where the smart specialisation domains will be identified through smart quadruple helix and intensive communication with all stakeholders, using all potentials based on development collaboration.

From the aspect of efficient dialogue with the business sector, the Government maintains direct communication with all stakeholders, including through a formalised platform for public-private dialogue, created between the four chambers of commerce and the Government. This website [www.biznisregulativa.mk](http://www.biznisregulativa.mk)

publishes all relevant information about the business community on a daily basis, thus increasing their awareness of the business and legislative environment, and of the opportunities for counselling and professional support.

In terms of the new economic challenges posed by COVID-19, the JPD Platform prepared eight position papers as studies of the effects on the private sector that was affected by the health and economic crisis, including recommendations for dealing with the consequences in the following sectors and industries: textile, construction, ICT, agriculture and industry for food processing, tourism and hospitality, metal industry, electrical and mechanical industries, the automotive industry, as well as recommendations related to labour relations and the financial and tax implications of the pandemic. These position papers were prepared jointly by the chambers of commerce based on interviews and contacts with more than 700 companies and were submitted to the Government as a topic for further discussion in designing the support packages.

From the aspect of regulatory impact assessment (RIA), this assessment continues to be an integral part of the law drafting processes, in accordance with the Methodology for Regulatory Impact Assessment and the Methodology for Assessment of Implementation of the Regulation. In order to increase the involvement of the stakeholders in the process of creation, implementation, monitoring and evaluation of policies, an upgraded version of ENER is available with new functionalities, such as submission of online initiatives, discussion forums and opportunity to consult on proposed strategies and other strategic documents of the Ministries.

## Short-term priorities

- Further activities for creating a favourable and attractive business climate, as well as implementation of strategic documents: Industrial Strategy, SME Strategy and Women Entrepreneurship Development Strategy and their related Action Plans.
- Drafting a Law on Small and Medium Enterprises that will provide an institutional framework for more efficient and coordinated monitoring and implementation of policies.
- Establishment of a register of parafiscal duties, the purpose of which will be to ensure transparency and

predictability in terms of additional costs faced by SMEs in their operations.

- Finalising the Smart Specialisation Strategy, in collaboration with the business and scientific community.
- Development of a strategy for export promotion and efficient coordination of the promotion abroad, by developing a concept of economic promoters.
- Monitoring the COVID-19 situation in the economy and proposing measures and activities for maintaining and developing the economic sector.
- Further and effective public-private dialogue.
- The MISA will continue the activities for continuous strengthening of the capacities of the civil servants for implementation of the RIA, evaluation of the implementation of the regulation, smooth use of ENER and cooperation with the representatives of the stakeholders in the policy making process.

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## Medium-term priorities

Creating a favourable business climate attractive for doing business and investment. Creating a strategic framework for strengthening competitiveness based on knowledge and innovation, following the principles of green economy and digital transformation.

Implementation of the Industrial Strategy and Action Plan, National Strategy for Small and Medium Enterprises, Strategy for Development of Women Entrepreneurship, Strategy for Smart Specialisation. Efficient use of European funds and donor projects for the purpose of realisation of the strategic documents.

# ENTERPRISE AND INDUSTRIAL POLICY INSTRUMENTS

## Current situation

The implementation of the Industrial Strategy 2018-2027 is underway, which focuses on supporting the development of the processing industry, and also integrates the Economic Growth Plan, which is implemented through an Action Plan. Out of a total of 38 measures, 27 measures (71%) are in implementation phase, 4 measures (10.5%) are in initial implementation phase or have not yet been initiated due to the need for deeper analysis, concept development or lack of funding.

About 20 companies were supported through this Programme in terms of implementation of industrial policy.

Some of the measures from the Industrial Strategy, i.e., the Economic Growth Plan are implemented through the Law on Financial Support of Investments and the measures for implementation of the third pillar of the Economic Growth Plan, through the FITR Programmes. In 2020, 49 companies received support through the Law on Financial Support of Investments, out of which 39 are new contracts and 10 are annexes to contracts. The total value of this support is EUR 53.4 million.

By September 2020, the total number of supported companies is 361 projects with a total value of EUR 24.7 million. Co-financed grants for technology development: 176 projects, co-financed grants for improving innovation: 107 projects, commercialisation of innovations: 76 projects.

The implementation of the Small and Medium Enterprises Strategy 2018-2023 has started with an Action Plan. Coordination Body for implementation of the Strategy has been established composed of representatives from the competent Ministries, bodies and the chambers of commerce. One of the key activities within the Coordination Body is preparation of the Law on Small and Medium Enterprises.

For the purpose of implementation of the **Strategy for Development of Women Entrepreneurship 2019 - 2023**, an inter-ministerial working group has been established where the activities and the time frame for implementation were discussed and agreed. Each institution is obliged to introduce gender-disaggregated data in all

registers it manages and in all data sources it collects, but also to introduce incentive criteria when granting state aid if the applicant is a woman, i.e., a company owned and managed by a woman.

A Platform for Strengthening Women Entrepreneurship has been established with 23 member associations working on the development of women entrepreneurship, as well as a National Council for Women Entrepreneurship (NCWE) which is the first and only women entrepreneurship council operating at the national level, established in the frames of the project for "Strengthening the contribution and efficiency of CSOs from women entrepreneurship to EU integration reforms in the field of economic policy" - WE Contribute.

The Ministry of Economy, as a national partner institution for the COSME Programme, continuously implements activities for fulfilling the obligations for membership in the Programme and its promotion in order to better use the opportunities offered by the Programme.

As one of the activities arising from the Action Plan for formalisation of the informal economy, the Ministry of Economy prepared a "Research analysis of the parafiscal fees for small and medium enterprises" which systematises the parafiscal fees faced by small and medium enterprises at the central level, by institutions.

Entrepreneurship Support Agency (APP MK) implemented measures in 2020 in order to support SMEs which are incorporated in the Programme for Support of Entrepreneurship, Competitiveness and Innovation of SMEs with a total budget of MKD 20.8 million (MKD 17,870,500.00 after the rebalance of the budget).

The main activities of APP MK are realised in a decentralised manner, which ensures their availability at the local level (through the infrastructure network of the seven Regional Centres).

The Agency for Foreign Investments and Export Promotion adopted the Annual Programme for Export Activities for 2020 in accordance with the planned budget; analysing and updating data on target industries - textile, electrical and metal, information-



communication and food industry in order to define interest for participating in fairs with a national stand, organising business meetings in order to define the exact target markets for 2021 and preparation and organisation for national participation in fairs.

According to the work Programme of the Fund for Innovation and Technological Development (FITD), seven calls for support of the private sector were realised during the year.

Two calls were announced within the support instrument "Co-financed grants for technological development". Out of 45 applications received, 33 were awarded funds, in the total amount of financial support from FITR of EUR 2,207,661.78.

In order to encourage the cooperation between companies and academic and scientific-research institutions, and in order to implement innovation activities which will increase the competitiveness of the companies, the Innovation Voucher instrument was promoted. The innovation vouchers provide a direct financial incentive that companies use to cover part of the costs of services offered by academic and research institutions, in order to intensify the scope and dynamics of product and service development, as well as their placement on the market. The total budget for awarding funds through innovation vouchers for this public call is EUR 243,902.

In a situation of increased need for rapid economic recovery from the consequences caused by the COVID-19 pandemic and improvement of the quality of life in this new situation, the Digitalisation of services becomes especially important when it comes to public services at the local level. Starting from this, FITD, in cooperation with the United Nations Development Programme (UNDP), announced a call for funding of projects for provision of digital solutions/tools that will be introduced in the daily work of five municipalities in the country - "COVID-19 rapid response for Digitalisation of local government services".

A new project: "Innovation and Competitiveness Ecosystem TA" has been launched within FITD, funded by "Good Governance and Investment Climate Reform (GGICR)" and implemented by the World Bank office in Skopje. The aim of the proposed project is to make the ecosystem for innovation and competitiveness at the level of the private sector more effective. This will benefit the economy by improving the capabilities of innovation companies, which will contribute to boosting of economic growth and job creation. This broader goal will be achieved through several channels:

1. Analytics needed to see how to improve the innovation tools and the institutional support (component 1);

2. Adjustments in the design of the innovation instruments in order to focus on market failures and critical needs of the companies (component 2);
3. Improvements in the institutional structures, legal framework and capacity of the government institutions implementing the support instruments (component 2);
4. Improvements in the legal framework for venture capital (component 3); and
5. Development of a stronger pipeline of companies that have the capacity to innovate and can benefit from the instruments, wider transparency, access to information and civic engagement (component 4).

The regular updating of indicators and the performance monitoring will continue in the future. The plan for the following period is to prepare a comparative analysis of some companies that are beneficiaries of financial support from FITD and companies that applied but did not receive financial support from FITD.

The activities of the Directorate for Technological Industrial Development Zones (DTIDZ) to attract new investments in targeted sectors (light processing industry using sophisticated technologies, research and development and ICT). The benefits for the investors in the zones are regulated by the Law on Technological Industrial Development Zones, the regulation for control of the state aid and the Law on Financial Support of Investments. The procedures and criteria are clearly defined in the Law on TIDZ, which is also a state aid scheme. The effect of the benefits is continuously monitored and periodically evaluated in terms of fulfilment of the obligations by the investor with regards to the number of employees and the amount of investment. An annual report on the granted state aid is submitted to the Commission for Protection of Competition.

DTIDZ invests in the planning, establishment, construction and development of infrastructure and of infrastructural facilities in the technological industrial development zones and in the two industrial zones it manages.

## Short-term priorities

- Implementation of measures and instruments for realisation of the strategic documents and action plans, adjusting them to the priorities in accordance with the health and economic situation with COVID-19.
- The Ministry of Economy, through the Competitiveness, Innovation and Entrepreneurship Programme, will implement measures arising from several strategic documents under the competence of this Ministry - Industrial Strategy, SME Strategy, Women Entrepreneurship Strategy, Social Responsibility Strategy, and other priority projects. Following the adoption of the Smart Specialisation Strategy, a set of measures is expected to stimulate economic development through close cooperation of all stakeholders (quadruple helix) in the areas that will be defined as areas that have the greatest potential.
- Strengthened cooperation with donors (WB, GIZ, USAID, JICA, Switzerland, Great Britain, etc.) and IPA, in the implementation of measures and instruments in order to encourage the competitiveness of the Macedonian economy. Launching of an IPA project in order to support the less developed regions, this will be implemented by GIZ.
- APP MK is focused on implementation of the Programme for Support of Entrepreneurship, Competitiveness and Innovation of Small and Medium Enterprises, which is a result of the efforts of this Agency to establish a sustainable system of activities aimed at supporting SMEs in all stages of their development, i.e., through systemic solutions that enable continuity in the support of the SMEs, starting from the Self-employment Programme, standardised mentoring services, info-desk, voucher system of subsidised counselling. The promotion of entrepreneurship in the form of trainings/workshops and among different target groups will continue to be supported, including in European and other donor projects in which APP MK participates as a partner.
- The Development Bank of North Macedonia (DBMK) will continue to carry out its activities in support of SME development.
- FITD will continue to implement the support instruments within the Economic Growth Plan and the Skills Development and Innovation Support Project, i.e., the measures aimed at supporting SMEs provided by the

Innovation Strategy and the Industrial Policy. FITD will monitor the market conditions and priorities and shall properly design and implement the instruments.

- For 2020, it is planned to resume the existing instruments, as well as to expand the support measures. One of the short-term initiatives is support by facilitating the access to venture capital for SMEs, i.e., equity and/or mezzanine capital. Additional measures are envisaged in the field of strengthening of human resources and connecting the academic community with the industry. In addition to the measures for financial support of the innovation activity and technological development, it is planned to strengthen the innovation infrastructure through the establishment of a Science and Technology Park and a National Office for Technology Transfer.
  - The Macedonian Stock Exchange will continue with the activities for promotion of alternative sources for financing of SMEs through the Funder beam crowd funding platform.
  - The upgrade of the start-up platform will continue in order to improve the ecosystem for support of start-ups in the country.
  - The Agency for Foreign Investments and Export Promotion, in accordance with the Action Plan for 2021, will implement activities related to export promotion, where emphasis is placed on the following initial sectors: Textile industry, Agribusiness, Metal industry and precision mechanics, including automotive parts and Information and communication technologies - ICT.
  - The new Export Strategy will be adopted by the Ministry of Economy, following the Industrial Strategy 2018-2027. This new Export Strategy will be linked to the National Strategy for Smart Specialisation and will identify target subsectors, products, countries, etc. for a better organised and efficient approach to entering new markets.
  - In terms of budget planning, in the part of export promotion, in addition to participation in international fairs, trainings for exporting companies and the employees in Invest North Macedonia are provided, as well as seminars and B2B meetings.
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## Medium-term priorities

- Development and implementation of new measures to support industry in its development, innovation and internationalisation, as well as development of measures that will be aimed at encouraging and promoting entrepreneurship, increasing of competitiveness of small and medium enterprises, encouraging crafts and creative industries, as well as strengthening of women entrepreneurship.
- From the aspect of social responsibility, realisation of the measures and recommendations from the Action Plan of the Medium-term Strategy for Social Responsibility 2019-2023 and capacity building for efficient realisation of the social responsibility activities is expected.
- In the medium term, APP MK aims at developing a sustainable system for support of SMEs in all stages of their development, striving to improve the competitiveness of SMEs. The functioning of this support system imposes the need for further upgrading, i.e., technical assistance for strengthening of the production sector through specialised services in the field of improvement of the production management of the enterprises.
- The Agency for Foreign Investments and Export Promotion will continue to focus on certain target industries that contribute the most to increasing of the export, following a certain analysis and request of the business community. Additionally, Work Programmes will be adopted that will refer to the activities of the Sector for Support and Promotion of Export Activities, and business events and fairs that will benefit the business community will be taken into account and will be organised in cooperation with the three national chambers of commerce, associations and clusters.
- In order to systematically strengthen the national innovation ecosystem, as well as to ensure inclusive and balanced development through facilitated access to finance aimed at encouraging innovation and improvement of capabilities of the companies, it is necessary to amend the Law on Innovation and bring it in line with the regulations and good practices of the European Union. In that regard, activities will be carried out on monitoring and analysis of the results achieved so far and the success of the available support, and change of the regulations in accordance with the needs

at the national level, the European and global economic and technological trends.

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## SECTORAL POLICIES

The strategic commitment of the Government is for the country to grow into an attractive tourist destination, which is translated into the adopted National Strategy for Tourism Development, prepared by the consulting company KOHL & PARTNER.

In order to support the tourism sector, two Programmes for support and promotion are being implemented through the Ministry of Economy and the Agency for Promotion and Support of Tourism, including an IPA project for support of tourism, implemented by the World Bank.

Alignment of tourism strategies and activities with the EU objectives and priorities from the tourism package adopted in March 2020 and the European Tourism Agenda 2050 outlined in the European Tourism Convention is underway, and in particular addressing of challenges of sustainable, balanced and responsible tourism growth, digital transformation and innovation in the tourism chain, skills adjustment in the labour market and promoting smart investments.

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# SCIENCE AND RESEARCH

## Findings and recommendations from the EC 2020 Report

The country has a **good level** of preparation in the area of science and research. **Some progress** was made in the research and innovations capacities in the public and private sector and in the development of the Smart Specialisation Strategy. Out of last year's recommendations, the country addressed investments in innovations in private companies and started the development of a Smart Specialisation Strategy (S3). Thus, in the coming year, the country should:

- ▶ ensure a higher level of investment in research and intensify efforts to increase participation in the Horizon 2020 and future EU programmes for research and innovation;
  - ▶ continue to work on completing the S3 to underpin national research and innovation strategies and policies.
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# SUMMARY

It is planned to adopt and implement the National Program for Scientific Research, increase the participation of the scientific and business community in the research and innovation programme Horizon Europe and adopt the National Roadmap for Research Infrastructure and the Smart Specialisation Strategy (S3).

The activities for integration in the European Research Area (ERA) will continue by strengthening the contribution of the Macedonian representatives to senior ERA working bodies, strengthening of cooperation with the EU Joint Research Centre, developing of bilateral and multilateral cooperation and activities to encourage mobility of researchers.

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# RESEARCH POLICY

## Current situation

Due to the needs for adoption of a new Law on Scientific Research, redefining of certain provisions in the Law, harmonisation with the Law on Higher Education, new provisions in accordance with the recommendations of the European Commission and international good practices, a working group was established with experts from the Ministry of Education and Science and relevant representatives of faculties and scientific institutes.

The National Innovation Strategy 2012-2020, with Action Plan is implemented by the Fund for Innovation and Technological Development. The Innovation Advisory Group continues its work in order to have an institutional mechanism that will ensure a coherent approach, effective policy coordination, as well as implementation and monitoring of the Innovation Strategy and the Action Plan. This body consists of representatives of all relevant Ministries, state institutions and the private sector, and the Fund for Innovation and Technological Development is a government agency that funds projects to encourage innovation and connect industry with academia and the public sector.

The Ministry of Education and Science continuously supports financially the publication of scientific papers in international journals with impact factor, and also permanently encourages researchers, teachers and associates from higher education institutions and scientific institutes by providing funds for participation in international scientific conferences abroad and scientific events in the country. In August 2020, the following were announced: Competition for allocation of funds for financing material costs and services, for printing collections of papers from the scientific events for 2020; Competition for awarding of funds for participation of domestic scientific researchers in international scientific events for 2020; and Competition for awarding of funds for domestic scientific researchers for study stays abroad for 2020.

In order to provide financial support to the young scientific-research staff, in February 2020, a Competition for awarding scholarships for second cycle academic studies abroad and a Competition for awarding scholarships for third cycle academic studies abroad for the academic year 2020/2021 were announced. A total of 19 scholarships were awarded in the frames of the Competition for scholarships for the second cycle, and one candidate was accepted in the frames of the Competition for scholarships for the third cycle



of studies.

In 2020, the Fund for Innovation and Technological Development (FITD) continued to implement measures to facilitate access to finance for SMEs in order to encourage innovation and technological advancement of domestic companies. As a consequence of the COVID-19 crisis, some of the planned and ongoing activities of the Fund were put on temporary standstill, and some were adapted in order to adjust to the new situation and provide adequate support to companies.

During 2020, the Fund was implementing the following tasks:

- Awarding financial support for the instrument "Co-financed grants for technological development". Under this call, a total of 121 project proposals were submitted, of which 67 project proposals were approved for funding.
- Awarding financial support for the instrument "Co-financed grants for start-ups and spin-offs" on the basis of a public call "Start-up!". Under this call, a total of 235 project proposals were submitted, out of which 87 project proposals were approved for funding.
- Awarding financial support through the public call for financing research projects in elementary and secondary schools "Challenge for young researchers 3". Under this call, a total of 58 project proposals were submitted, of which 39 project proposals were approved for funding.
- Provision of financial support through the public call for O2 Challenge 2 "Tackling climate change". Under this call, a total of 30 project proposals were submitted, out of which 2 project proposals were approved for funding.
- Awarding of funds through the CREATON challenge. Under this call, a total of 514 project proposals were submitted, of which 18 project proposals were approved for funding.
- Provision of financial support for the instrument Co-financed grants for technological development intended to remedy the COVID-19 consequences on the basis of a public call. Under this call, a total of 171 project proposals were submitted, out of which 95 project

proposals were approved for funding.

- Awarding funds through Innovation vouchers, through a public call. Under this call, a total of 71 project applications were submitted, out of which 34 Innovation Vouchers were awarded.
- Allocation of funds through a public call for rapid response to COVID-19 "Digitalisation of local government services". Under this call, a total of 13 project proposals were submitted, out of which 1 project proposal was approved for funding.

Some of the funded projects include contract services from academic staff and/or cooperation with higher education institutions, and some are from the funded accelerators that are partially owned by the University Ss. Cyril and Methodius - Skopje. The aim is to commercialise the start-up ideas of the students and academic staff.

The total value portfolio of all the projects under the instruments of the Fund (excluding projects financed through challenges and Innovation vouchers) as of November 2020 is 76.2 million euros, with the amount of financial support from the Fund being 42.7 million euros and the co-financing of the companies was 33.5 million.

In 2020, FITD continued its activities to encourage creativity, innovation, critical thinking, entrepreneurship and 21st century skills among young people in the frames of the Young Minds Fund programme. Several programs that have already shown successful results were supported, including the Young Researcher Challenge 3, the UP Shift Youth Social Entrepreneurship Program, and the Junior Achievement Entrepreneurship Program. Some of these programs were put on temporary suspension due to the termination of the educational process as a result of COVID-19, but they continued to be implemented after their adaptation to the new conditions in accordance with the relevant protocols.

## Short-term priorities

- According to the Law on Higher Education, establishment of a National Council for Higher Education and Scientific Research is envisaged, which will provide, evaluate, develop and improve the quality of higher education and scientific research in the country. The National Council for Higher Education and Scientific Research,

once established, should prepare a National Program for Scientific Research.

- Adoption of a new Law on Scientific and Research Activity
  - Amendments to the Law on Innovation Activity.
  - Provision of financial support to young scientific research staff.
  - Awarding of one-off funding for research papers published in international journals with impact factor for researchers, teachers and associates selected at higher education/ research institutions.
  - Reimbursement of funds paid for publication of scientific papers in journals with impact factor, referred to in Web of Science or Scopus databases for researchers, teachers and associates selected at higher education/ scientific institutions.
  - Awarding of funds for participation in scientific conferences, scientific gatherings, art events and study visits abroad for researchers, teachers and associates selected at higher education/ scientific institutions.
  - Awarding of scholarships for financial support of the scientific-research staff for the second and third cycle of studies.
  - Implementation of the measures and activities envisaged by the Innovation Strategy 2012-2020.
  - Strengthening of the innovation infrastructure with the development of the Science and Technology Park and establishment of a National Office for Technology Transfer.
  - Publication of at least two public calls under the existing instruments, as well as expansion of the support measures. The implementation of the recommendations from the Sustainability Study "Innovation Screen: The Road to Strengthening the National Innovation Ecosystem" will continue.
  - Introduction of Innovation Vouchers and Co-financed Grants for Cooperation between the Academy and Industry.
  - Within the "Fund for Young Minds", it is planned to introduce support for scientific and technological excellence and entrepreneurship among students and young people, which will support the activities of preparation and presence of those young people showing
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exceptional success in science, technology, engineering, industrial design, mathematics and entrepreneurship at international events of a competitive nature.

- Increasing of participation of the scientific and business community under the Horizon Europe research and innovation programme.
- Adoption of a National Roadmap for Research Infrastructure and the Smart Specialisation Strategy (S3).
- Continuation of activities to increase public and private investment in research, development and innovation.
- Introduction of Co-financed grants for cooperation between the academic community and the industry.

North Macedonia will continue with activities for integration in the European Research Area (ERA) by strengthening the contribution of the Macedonian representatives in the senior bodies of ERA, by strengthening the cooperation with the EU Joint Research Centre, by developing bilateral and multilateral cooperation and activities for encouraging researcher mobility.

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## Medium-term priorities

- Amendments to the Law on Instigating and Assisting Technical Culture.
- Adoption of a National Program for Scientific Research Activity, prepared by the National Council for Higher Education and Scientific and Research Activity.
- Starting with realisation of the measures and activities from the National Program for Scientific and Research Activity.
- Adoption and implementation of the Decree on measurements and criteria for financing of the scientific and research activity.
- Expansion of cooperation with domestic and international institutions and organisations that provide support in the innovation sector as well as finding new opportunities for financing, such as through existing EU funds.
- Implementation of recommendations of the Sustainability Study "Innovation Canvas: The Road to Strengthening the National Innovation Ecosystem".
- Implementation of recommendations from the sustainability study for establishment of a Science and

Technology Park.

- Establishment of an efficient triple/ quadruple helix system with active involvement and support of all segments - public institutions, academic and scientific community, industry and citizens.
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# FRAMEWORK PROGRAMS

## Current situation

During 2020, the Ministry of Education and Science was mostly focused on on-line support for researchers and business sector in order to achieve maximum use of the opportunities provided by Horizon 2020, at a time when many of the calls were redirected to support the new COVID-19 situation. At the same time, the Ministry of Education and Science submitted a Letter of Interest for participation of the country in the future Framework Program for Research and Innovation "Horizon Europe" (2021-2027). The negotiations for participation are ongoing, and our expectations are to have many research and innovative projects with increased participation of researchers in the new programme, as well as to have calls that will be intended for the Western Balkans region.

In the period from March to September, on-line meetings were held with the European Commission Directorate for Research, Technological Development and Innovation (DG RTD) in order to initiate activities for support of research in the fight against COVID-19. The coordinated action of the EU member states and the associate member states towards the Horizon 2020 programme in designing of a fully coordinated response to COVID-19 within the European Research Area (ERA) has resulted in an Action Plan – ERA vs., Corona, in which a number of different issues were addressed – from vaccine development, diagnostics and therapy to open access, including open opportunities for further input to the Action Plan. An international HACKATON call has been initiated and realised in all countries in the world. In terms of submitted project proposals, the only country in the region that won 3 projects is the Republic of North Macedonia.

Meetings of the Western Balkans Research and Innovation Steering Platform (WB6 Steering Platform on R&D) were also held in order to discuss the new "Western Balkans Agenda for Research, Innovation, Education, Youth, Sport and Culture" as well as the coverage of the Western Balkans in the European Investment Plan.

The scientific-research and business community during the entire duration of the Horizon 2020 programme (January 2014 - November 2020) applied with a total of 798 project proposals, of which 663

projects met the required criteria. The number of projects funded by the European Commission is 75, with a participation of a total of 101 organisations (success rate: 11.01%). The total budget of the funded projects is 12.05 million euros (source: E-Corda, October 2020). Most of the research-innovative projects are in the field of energy, innovation of small and medium enterprises, research infrastructure, health, information technologies and food.

## Short-term priorities

- Informing of the scientific-research and business community, independent researchers and the local self-government about the rules and opportunities in the new Horizon Europe Framework Program.
  - Defining of the structure and coordination of the work of the national contact persons and the members of the programme committees.
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## Medium-term priorities

- Continuous informing of the scientific-research and business community, independent researchers and local self-government about the Horizon Europe Framework Program (info events, workshops, institutional and individual informational and advisory meetings).
- Coordination of the work of the national contact persons and the members of the programme committees.
- Continuous cooperation with the Enterprise Europe Network in Macedonia (Business Opportunities Network - EEN-MM).

# EUROPEAN RESEARCH AREA

## Current situation

North Macedonia remains committed to the process of developing the **Smart Specialisation Strategy (S3)**. Due to the COVID-19 pandemic and the declared state of emergency in the country in the second quarter of 2020, the realisation of some of the planned activities was prolonged.

Based on the preliminary priorities already identified through quantitative analysis, the country has started the process of qualitative and detailed analysis of the priority domains. A total of six potential S3 domains are proposed for further analysis (Information and Communication Technologies, Food and Beverage, Sustainable Construction and New Materials, Mechanical, Electrical and Automotive Industry, Sustainable Tourism and Sustainable Energy Sector), and the Energy domain was also proposed as a new potential S3 domain, given the new strategy and potentials of this sector in the domestic and global market.

The Working Group (WG) for development of the Smart Specialisation Strategy is in constant communication with the S3 team of the Joint Research Centre of the European Commission (JRC) in order to harmonise the methodology for development of qualitative analysis, as well as finding new opportunities for its adaptation to the new situation: on-line trainings for the WG members and the local partner, remote monitoring and coordination of the process, remote interviews, etc.

In order to transfer and harmonise the methodology for making a qualitative analysis, JRC provided an external expert from Slovenia who should provide a support to the local team. Local partner for preparation of the qualitative analysis is the Chamber of Commerce, which conducts the necessary interviews and meetings with the targeted stakeholders active in scientific-research activity and innovation in the country as well as the business sector in all 6 identified priority domains.

At this stage, the priority domains were subject to further monitoring for their potentials and interrelationships with other sectors/value chain links.

In January 2021, the Chamber of Commerce submitted to the JRC and the Working Group the final report of the qualitative analysis of the economic, innovative and scientific potentials of the country. After incorporating the comments received and after improvements were made, the report was finally adopted on 19 April 2021.

In the frames of the Program for Cooperation in the Field of Science and Technology (COST), during 2020 the Macedonian researchers participated in 176 active actions in the field of biomedicine and molecular biosciences, food and agriculture, forestry, materials and nanosciences, chemistry and molecular sciences and technologies, information and communication technologies, transport, multidisciplinary sciences, social sciences, culture and health.

In the frames of the Programme for Technical Cooperation with the International Agency for Atomic Energy (IAEA) and, based on the announced call for submission of proposals under the new project cycle 2022-2023, the Agency gave the green light for three project concepts and called the entities to develop project designs.

In the second quarter of 2020, the selection regarding the IAEA Call for Capacity Building of SEIIST was completed, at which three scientists/ researchers were selected.

North Macedonia is among the few countries in Southeast Europe that decided to participate in the international public call for location for construction of the International Institute for Sustainable Technologies (SEIIST) on its territory. The decision was made in December 2020, and an expert team was established for preparation of application with which the country will participate in the international public call.

The Ministry of Education and Science actively participates in the meetings of the General Assembly (GA) of CESSDA.

The European Open Science Cloud (EOSC) is currently being reorganised into a legal entity under the Belgian law. From 2021, EOSC will operate on the principle of triple partnership: an association that will include universities, research organisations, research centres, libraries, etc., a steering committee composed of nominated representatives from Ministries or national authorities and the European Commission. EOSC will be financially supported by the European Commission and the HORIZON EUROPE Program. On 1 October 2020, a meeting was held with the members of the Management Board in order to discuss the draft statute of the Association, the founders of EOSC as a legal entity, conditions and criteria for members of the steering committee, as well as the SRIA-Strategic Research and Innovation Agenda document.

The Faculty of Computer Science and Engineering at UKIM-Skopje became a member of the EOSC Association. With their participation

in several EOSC-related projects, such as NI4OS-Europe, EOSC-Hub and EGI-ACE, the research community in the country is aware of the national benefits of establishing the principles of Open Science, Research and EOSC. Initial steps have been taken to establish the National Open Science Cloud Initiative (NOSCI).

With the support of the Regional Cooperation Council (RCC), the six Western Balkan countries signed the Protocol on Open Access to the Research Infrastructure in the Western Balkans on 10 November at the Western Balkans Summit in Sofia. The basic purpose of this Protocol is to enable access for researchers from research institutions to the existing research infrastructure through pre-established principles which need to be implemented by higher education/scientific institutions and other research institutions in the Western Balkans countries, as well as to encourage the mobility of researchers and scientific cooperation in the region. The protocol enabled, inter alia, the establishment of a network of open research infrastructures in the Western Balkans, strengthening of regional cooperation between the various stakeholders and will also contribute to the overall economic development. The Rectorate of UKIM, Faculty of Economics at UKIM and the Institute for Sociological and Political-Legal Research at UKIM are included from the Republic of North Macedonia.

The Regional Cooperation Council (RCC) has approved "Technical Assistance for Creating Research Infrastructure Roadmaps in the Western Balkans" as part of the RCC efforts to support researcher mobility and strengthen the research collaboration by assisting with regional mapping of research infrastructures. The technical assistance will cover Albania, Bosnia and Herzegovina, Kosovo and North Macedonia, which have expressed interest in this type of support, which is also one of the requirements for the region from the EC. In the initial phase, the team of experts will analyse the existing research and innovation policies in each economy of the Western Balkans, with an emphasis on ongoing reforms in the research sector, by reviewing existing strategies and other research and innovation policy documents, the current status of the process of developing smart specialisation strategies and the legal framework for research infrastructures. The next phase involves implementation of research and collection of technical data about the research infrastructure. The final phase involves development of a research infrastructure roadmap for each of the four economies. The initial phase has already begun.

UNESCO is in the process of preparing recommendations for Open Science that will define the shared values and principles of Open Science, as well as identification of specific measures for open access to scientific publications and data, but also bringing citizens closer to science. In order to achieve this objective, UNESCO



started with a series of consultative meetings with the countries of Southeast Europe since September 2020. The first draft of the UNESCO Recommendations for Open Science was prepared.

Based on the Agreement between the Government of the Republic of North Macedonia and the Republic of Austria for scientific and technological cooperation, signed in 2007, the realisation of the project activities within 15 joint Macedonian-Austrian scientific research projects for the period 2018-2020 continued.

Within the framework of bilateral cooperation, the Ministry of Education and Science implements a number of activities, as follows:

- Implementation of the existing agreements with Slovenia, Croatia, Montenegro, Austria, Czech Republic, Poland and Slovakia.
- The harmonisation of the Protocol for implementation of cooperation with the Republic of Turkey for organising courses and training of instructors for Ottoman Turkish language, as well as the text of the Memorandum of Understanding in the field of education continued.
- The text of the Protocol for implementation of the Memorandum of Understanding between the Ministry of Education and Science and the Higher Education Council of Turkey in the field of higher education has been harmonised.
- A Memorandum of Understanding has been signed between the Ministry of Education and Science and the Ministry of Foreign Affairs and Trade of Hungary for cooperation within the Stipendium Hungaricum Program for the period 2020-2022.
- The text of the Program for Cooperation between the Ministry of Education and Science and the Ministry of Innovation and Technology of Hungary in the field of higher education and science for the years 2020, 2021 and 2022 has been harmonised.
- The text of the Fifth Program for Cooperation in the Field of Education, Culture and Science with the Italian Republic for the period 2020-2023 is being harmonised.
- The text of the Agreement for Cooperation in the Field of Education, Culture, Arts and Sports with the Government of the United Mexican States has been harmonised.
- The text of the Agreement for realisation of a programme between the Ministry of Education and Science and the French Republic in the field of science and technology for the period from 2021 to 2026 has been harmonised.

## Short-term priorities

- Adoption of a **Smart Specialisation Strategy** based on a comprehensive qualitative analysis of areas with potential for smart specialisation.
- Institutional capacity building for monitoring and implementation of the Smart Specialisation Strategy.
- Strengthening of institutional capacity of the working group by attending trainings and events related to smart specialisation.
- Realisation of the Entrepreneurial Research Process - EDP.
- Continuation of the cooperation with the Joint Research Centre of the European Commission.
- Continuation of activities and dynamics for participation in the COST and MAAE programs, as well as further promotion of the new initiative in COST called COST Academy, developed in order to support the activities of the COST actions.
- Implementation of the activities arising from the project of the International Institute for Sustainable Technologies of Southeast Europe (SEEIIST) applied within the Horizon 2020 Program.
- Creating an online database in which researchers will submit their applications and reports from their participation in the COST Program.
- Realisation of some of the activities contained in the *Roadmap of North Macedonia to CERN* document.
- Signing of the Protocol for implementation of the cooperation between the Government of the Republic of North Macedonia and the Government of the Republic of Turkey for organising courses and training of instructors for Ottoman Turkish language.
- Signing of a series of Memoranda of Understanding between the Government of the Republic of North Macedonia and the Governments of the Republic of Turkey, the Republic of Bulgaria, Italy, Mexico and France in the field of education, science and technology.

## Medium-term priorities

- Implementation of the measures and activities envisaged by the Smart Specialisation Strategy.
  - Continuation of the cooperation with the Joint Research Centre of the European Commission.
  - Continuation of the implementation of the activities arising from the International Institute for Sustainable Technologies of Southeast Europe (SEEIIST) project, applied within the Horizon 2020 Program.
  - Continuation of activities and dynamics of participation in the COST and MAAE programs, with the possibility of their increase.
  - Continuation of the activities contained in the *Roadmap of North Macedonia to CERN* document.
  - Continuation of activities within the existing bilateral agreements, treaties, memoranda, protocols and programs, as well as concluding new ones with countries with which North Macedonia has an interest in cooperating in the field of education, science, technology and innovation.
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# EDUCATION, CULTURE AND YOUTH

## Findings and recommendations from the EC Report 2020

The country is **moderately prepared** in this area. **Some progress** was made with the adoption of the new Law on Primary Education and the new Law on Teachers and Associates in Primary and Secondary Schools and with reforms in Vocational Education and Training. The introduction of measures from the comprehensive 2018-2025 Education Strategy is progressing slowly. The recommendations of the 2019 report were only partially addressed and therefore, remain valid. In the coming year, the country should in particular:

- ▶ implement the new strategic framework for education, particularly the targets for preschool education;
- ▶ increase support for teacher training and teacher professional development and ensure an effective assessment process;
- ▶ improve access to quality education for all regarding, in particular, preschool enrolment, children with disabilities, and children from Roma communities.

## SUMMARY

According to the Education Strategy 2018-2025, the activities for improving the quality of elementary and secondary education, vocational education and training continue, by preparing new curricula that will contribute to the acquisition and development of skills among students, according to the labour market needs.

Preschool education is continuously improved. Implementation of activities to increase access to quality preschool education, that is, good opportunities for early childhood development throughout the country continues.

Activities are being taken to improve access to all levels of education. The Ministry of Education and Science, as well as the Ministry of Labour and Social Policy, continue with their activities for building an inclusive society and equal access for all children, through the improvement of the infrastructure in public educational institutions, strengthening the administrative capacity of the employees in these institutions and providing support through the mentoring system, personal assistants and scholarship.

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# EDUCATION

## PRESCHOOL EDUCATION

### Current situation

The Government<sup>87</sup> has committed itself to increase up to 50% the coverage of preschool children in institutions for care and upbringing by 2021. In 2020, 4 public institutions for children - kindergartens and 5 new facilities were opened in existing institutions for children - kindergartens, as well as three changes of spatial conditions in the facilities of public institutions for children - kindergartens were made and two private kindergartens were opened. The total increased capacity is now for 686 children. In 2020, in public and private institutions for children, the total number of children from 0-6 years has increased by 793 children compared to 2019. In 2020, the coverage of children aged 3 to 6 years is 45% or 28,315 children are included in early childhood development, out of a total of 62,932 children at this age.

During 2020, new educators, caregivers and other staff were hired in the kindergartens and the number of staff caring for children increased. The new employments will mitigate the unfavourable staff-to-child ratio. In 2020, 477 people were employed and 166 people were promoted, thus the total number of employees in child care and upbringing institutions in 2020/21 is 5,493 employees.

The staff is employed on permanent employment contracts, which drastically reduces the number of persons engaged on a contract per services rendered basis. The new amendments to the Law on Child Protection have improved the working conditions and motivation of the employees in preschool institutions, namely the system of employment, career development, and salaries of service providers and directors of public institutions for children. The project "Raising the quality of preschool education and care" is being implemented with EU financial support. The project envisages the development of the system for professional and career development of the employees in the preschool institutions, redesign of staff licensing system and improvement of the counselling work with the parents, especially with those whose children have special educational needs.

The Ministry of Labour and Social Policy, in cooperation with UNICEF, implemented intensively the Programme for peer support in preschool institutions in 2020, in order to improve the quality

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87 Programme of the Government

of services and strengthen the professional competencies of the employees in institutions for children. The key components of the programme are aimed at: (1) capacity building of educators in order to acquire skills and predispositions that are crucial to their work; (2) improving educators' abilities for the realisation of quality preschool education through adapted trainings in the field of socio-emotional development; and (3) providing practical strategies, methods, and other materials for educators and parents to cherish the mental, linguistic, and socio-emotional development of children by developing an online platform containing a wide range of play-based learning aids and materials.

Because of the coronavirus situation and due to the measures taken by the Government for interruption of the educational process in all institutions for care and education of preschool children, the institutions remained closed in the period from 10 March to 9 September 2020. During this period, the Ministry of Labour and Social Policy and the Commission for Infectious Diseases, in order to protect the health of children and their safety during a pandemic, prepared a Protocol on activities in institutions for care and education of children after the end of the state of emergency, and the same was adopted by the Government. The Protocol contains measures and activities that should be taken by the institutions, the educational/care staff, as well as the parents in order to increase the safety and security of the children and the employees in the kindergartens for the protection from the spread of the coronavirus.

According to the Protocol, the kindergartens work with reduced capacity and with a smaller number of children in the educational groups. Educational groups for children up to 2 years old have a maximum of 12 children, and groups for children from 2 to 6 years old have a maximum of 15 children. In accordance with the capacities of the public institutions, a need was identified to determine priority in the opening of institutions for children, for inclusion of children of single parents and two employed parents during the COVID-19 pandemic.

During the state of emergency, the staff educators and pedagogues from the kindergartens actively participated in the implementation of the intervention educational programme. The programme was broadcast in the "TV Classroom" on the three channels of the national television service. This programme realised educational contents, educational shows and stories, according to the age of the children.



The national Eudino platform was established with the support of UNICEF. This is a platform where educators can find video stories, resources, games and various activities to support the educational process. The objective of Eudino is to grow into a collective platform on which new resources and materials will be created, reviewed and published, together with educators and parents, thus building the first national library of digital educational materials in North Macedonia.

## Short-term priorities

- In accordance with the right to quality preschool care, upbringing and education for every child, the expansion of capacities for the protection and upbringing of children will continue.
- During 2021, it is planned to open new kindergartens<sup>88</sup> - Construction of facilities in the Municipality of Kavadarci; in the Municipality of Negotino; Construction of a facility in the Municipality of Kochani; Construction of a facility in the Municipality of Strumica; Construction of a facility in the Municipality of Gjorche Petrov - Volkovo; Construction of a building in the Municipality of Kisela Voda - Drachevo.
- During 2021, it is planned to open new kindergartens, with funds provided through the Budget of the MLSP - Construction of a facility in the Municipality of Sopishte; Construction of a facility in the Municipality of Vasilevo, the village of Angjelci; Adaptation of a permanent facility into a kindergarten in the Municipality of Delchevo; Extension of a building in the Municipality of Strumica; Extension of a building in the Municipality of Gjorche Petrov; Construction of a facility in the Municipality of Gazi Baba – equipment by MLSP; Extension of a facility in the Municipality of Berovo – equipment by MLSP; Extension of a facility in the Municipality of Debar.
- A competition was announced for an international expert who should develop a new formula for the financing of preschool education and child care in 2021.
- In cooperation with the World Bank and through the Social Services Improvement Project, the adaptation of the instrument for measuring early childhood development by analysing the quality and outcomes of early learning, called MELQO (Measuring Early Learning Quality and Outcomes), has begun. After its adaptation with the help of international and local experts, activities will continue in 2021 to collect the

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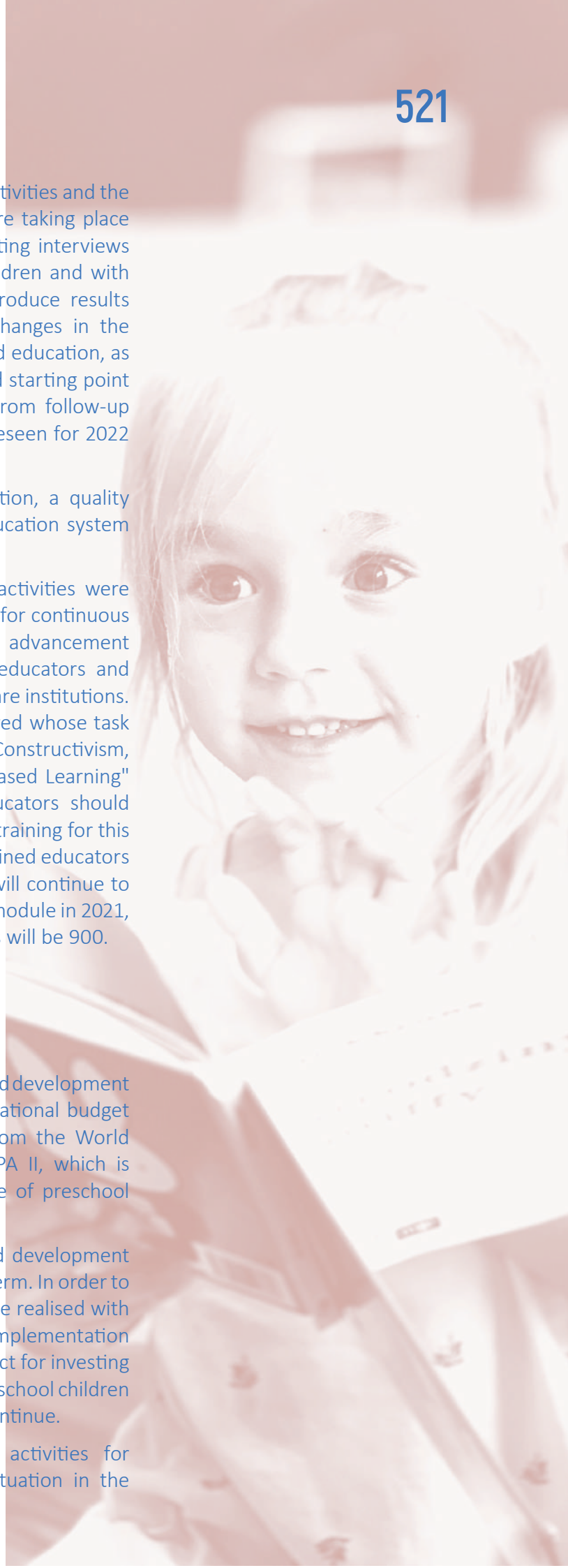
<sup>88</sup> The Ministry of Labour and Social Policy, in cooperation with the World Bank and through the implementation of the Project for Improvement of Social Services provided funds for investment in increasing the kindergarten capacity by awarding grants to municipalities for construction of new facilities, expansion of existing ones through extension, upgrade or reconstruction, and adaptation of the space of other public institutions (mainly schools).

necessary data by monitoring children activities and the environment in which those activities are taking place in the kindergartens, as well as conducting interviews with the staff in the institutions for children and with the parents. The whole process will produce results and conclusions regarding necessary changes in the system of preschool care, upbringing and education, as well as data that will serve as a basis and starting point for benchmarking with data obtained from follow-up measurements with this instrument, foreseen for 2022 and 2023.

- In order to promote pre-school education, a quality evaluation system in the pre-school education system will be developed.
- With the support of the World Bank, activities were initiated to create and support a system for continuous professional development and career advancement of staff who are direct practitioners (educators and caregivers) in preschool education and care institutions. An international consultant has been hired whose task is to prepare a training module called "Constructivism, Problem-Based Service-Learning, Play-Based Learning" as part of the competencies that educators should have in the future, as well as to conduct training for this module for 180 educators. These 180 trained educators will then be in the role of trainers and will continue to train their colleagues about the created module in 2021, so the total number of trained educators will be 900.

## Medium-term priorities

- Efforts to increase access to early childhood development services will continue. Apart from the national budget funds, additional funds are available from the World Bank loan, as well as funds through IPA II, which is expected to increase the total coverage of preschool children to 60% in the medium term.
- Increasing the quality of early childhood development services is also a priority in the medium term. In order to achieve this objective, cooperation will be realised with UNICEF, the EU and the World Bank. The implementation of the Social Services Improvement Project for investing in new capacities providing access for preschool children to care and education institutions will continue.
- The implementation of the planned activities for promotion and improvement of the situation in the



early childhood development will continue through the following: Strengthening the human capital by improving the quality and availability of preschool care, upbringing and education; Implementation of the reformed system for the protection of children rights in order to reduce child poverty; Equal access to quality inclusive education in early childhood development; Increasing of capacity for coverage of children with an emphasis on rural areas and, above all, coverage of children aged 3-6.

## ELEMENTARY AND SECONDARY EDUCATION

### Current situation

Taking into account the COVID-19 situation, the academic year 2020/2021 started on 1 October 2020 and so far it has been successfully implemented with a combined way of teaching (students from first to third grade attend classes with a physical presence, and the same goes for schools that have a small number of students in higher classes and who have received approval from the Government and the Commission for Prevention of Infectious diseases). The Ministry of Education and Science has taken all necessary steps in order to successfully implement the combined teaching model by adopting a number of acts, protocols, reduced curricula, guidelines, directions, and provision of full support to schools and teaching staff. For students who cannot attend remote learning, full support is provided through printed materials, educational TV programmes and additional support from schools. In parallel with these processes, activities have been carried out on providing a stable and fast internet connection for schools and on providing hardware for socially vulnerable categories with the help of the private sector. The Ministry monitors the situation with the number of infected students and teachers with a physical presence in the whole country on a daily basis, and this number is less than 1 per cent at a nationwide level.

In 2020, due to the state of emergency caused by COVID-19, a number of changes and amendments to laws, bylaws, decrees with legal force and decisions were adopted.

The following activities have been implemented in the past period:

- The Ministry of Education and Science is establishing

an Information System called "Skills Observatory" which keeps a collection of data on students (the Law on Secondary Education has been amended, Official Gazette No. 229/20).

- In emergency circumstances, the teaching process is organised by remote learning and the teaching hour can be shorter. This applies to both public and private secondary schools.
- A National Remote Learning Platform has been developed and is used in both elementary and secondary education;
- Working groups have been established to work on amendments to the Law on Secondary Education and the Law on Vocational Education and Training;
- Costs for 400 Roma children enrolled in early childhood education and care are covered by the state budget through earmarked donations for 20 municipalities;
- For the first time in the academic year 2020/2021, competitions have been announced for obtaining scholarships for students enrolled in electrical, mechanical, textile-leather, construction-geodetic as well as veterinary-agricultural professions, which further stimulates the interest for secondary vocational education.

**The Bureau for Development of Education realised the following activities within the scope of its competencies:**

- Piloting of the Textbook Evaluation Methodology has been realised.
- Guidelines on the realisation of the reduced curricula in elementary and secondary education have been prepared
- Instructions on the manner of realisation of the teaching process in the optional subjects in elementary education in the academic year 2020/2021 have been prepared.
- Instructions for the realisation of the teaching process in special elementary schools, special classes of elementary schools and in state secondary schools for students with special educational needs in the school year 2020/2021 have been prepared.
- Instructions for teachers have been prepared on the manner of assessment of students in the period of realisation of the teaching process through remote learning.
- Trainings have been realised by the Bureau for

Development of Education after the adoption of the curricula in order to ensure their successful delivery in the academic year 2020/2021.

- The Bureau for Development of Education organised trainings engaging 69 counsellors, as well as online meetings with teachers and professional associates from all elementary and secondary schools. The aim was to provide support and guidance for the educational work in conducting remote learning according to the prepared instructions for planning, organisation and realisation of the teaching process in the academic year 2020/21. According to the data received and processed, about 75% of the teaching and professional staff attended the events.
- A new Concept for Elementary Education has been developed. The Concept provides teaching oriented towards in-depth and meaningful learning based on critical thinking and logical inference. The Concept also defines as a priority the interests and needs of students and puts them in the focus of elementary education. It relies on inclusiveness, gender sensitivity and equality and interculturalism as key principles. In parallel with the new Concept, National Standards for achievements of the students in elementary education were developed and adopted for the first time. Based on the national standards, new curricula have been developed for the first and fourth grade in elementary education, which will be applied from the next school year. Training of all teachers on the new concept of elementary education and the new curricula started in April. The trainings will last for several months.

## Realisation of teaching through the use of various ICT learning tools

- Training was introduced through the learning management system on "Realisation of the teaching process using various ICT learning tools." According to the data from the system, 24,821 participants from a total of 24,922 users registered in the system received an LMS certificate for attending the course.

## Piloting of standards and indicators for evaluation of the Textbook Evaluation Methodology

The piloting of standards and indicators on textbook quality in accordance with the Textbook Evaluation Methodology was conducted in 2020. As part of this pilot, advisors from the Bureau for Development of Education analysed textbooks in order to assess the validity and justification of the standards and indicators used for textbook evaluation. The textbooks were analysed in the following areas: language (mother tongue and foreign language), mathematics, natural sciences, social sciences, arts, based on the followinga:

- Guidelines for Advisors for Piloting the Standards and Indicators of the Textbook Evaluation Methodology;
- The concept for textbooks; and
- Textbook Evaluation Methodolog .

The results of the analysis will contribute to the modernisation of textbooks following the experiences of other countries and in accordance with our needs to improve the quality of the textbook. The piloting will condition/ cause drafting of a new Law on Textbooks.

Additionally, research was conducted on the use of digital teaching aids in elementary and secondary schools and, based on the results, a methodology for evaluating e-textbooks and other teaching aids in electronic form was developed.

In April 2021, the Ministry of Education and Science started the reform of the textbook use system, on the basis of which a new Law on Textbooks and Other Teaching and Didactic Materials was prepared. The purpose of the new legal solution is to improve the quality of textbooks in order to avoid the mistakes of the past (gender stereotypes), which takes into account the EC recommendation to include the civil society sector through the Council for Cooperation and Development of the civil sector in approving textbooks and other teaching materials. A significant change is the inclusion of other teaching and didactic materials in the teaching process so that the textbook will no longer be the only source of knowledge, and this allows a greater creativity of teachers. Digital textbooks are now being introduced, following the recommendations of the

EU Digital Education Plan 2021-2027. The new Law on Textbooks envisages the accessibility and availability of teaching materials, that is, the textbooks for students in elementary education will be posted in audio format on the Internet platform, while for visually impaired students (blind and students with damaged eyesight) the Ministry of Education and Science will provide textbooks printed in Braille alphabet. A screen reader in Macedonian and Albanian is currently being prepared. In order for textbooks and other teaching and didactic materials to be accessible to students with disabilities, their electronic form should meet the e-accessibility standards.

## Professional and career development of teachers

All bylaws arising from the new Law on Teachers and Professional Associates have been adopted, and for the first time a call for the career development of teachers has been published (promotion to a higher title - teacher mentor). The first process of administrative review of the received applications has been completed, and the evaluation of the candidates by the BDE and the school is in progress, on the basis of which the decision for the career development will be made.

The Government also adopted amendments to the Law on Bureau for Development of Education, which systematically regulates the manner of accreditation of training programmes for teachers and professional associates and the preparation of a Training Catalogue that will be publicly available to schools. The Government also adopted amendments to the Law on Teachers and Professional Associates (April 2021) which provide legal and economic security by establishing permanent employment as well as reduction of the political influence in their engagement, by changing the employment procedure and implementation of interviews.



## Ensuring inclusiveness

All bylaws in accordance with the new Law on Elementary Education have been adopted. In order to ensure the inclusion of students with disabilities, the role of schools with centres of excellence has been strengthened. These centres will provide support to the so-called regular schools in which students with disabilities will be enrolled. Funds are provided in the Budget of the Ministry of Education and Science for educational assistants in schools. In this regard, starting from 2021, ensuring of accessibility is a mandatory condition that must be met in order to obtain funding from the Ministry of Education and Science for adaptation, renovation or construction of a school. Additionally, the project for unimpeded access to 14 educational institutions across the country is underway - 6 elementary schools, 4 secondary schools and 4 faculties through the Action Programme of 2019-IPA 2 - EU for inclusion, for which the technical documentation has been prepared (adaptation designs). The construction activities will start in June/ July 2021.

In order to include students that are outside the education system (mostly Roma students), instruments have been developed to test their knowledge and include them in an appropriate grade, and adapted curricula have been developed that enable these students to progress faster in the education system. Within the Regular attendance of classes project, a total of 638 scholarships for first and second grade are provided for Roma students whose parents are beneficiaries of social assistance (300 scholarships are provided for first grade and 338 scholarships for second grade). There is a positive trend of increasing the number of scholarships for secondary school students for this school year. A total of 891 scholarships for Roma secondary school students from public and private schools for this school year have been awarded in 5 categories. At the same time, the enrolling trend of Roma students in higher education institutions has increased, compared to the last three years – from 42%, this percentage has now increased to 48%.

## Short-term priorities

The following laws are planned to be adopted during 2021:

- New Law on Textbooks and Other Teaching and Didactic Materials;
- Law on Changes and Amendments to the Law on Teachers and Professional Associates;
- Law on Changes and Amendments to the Law on BDE; and

- Law on Changes and Amendments to the Law on Elementary education.

The realisation of the following activities is also planned:

- Providing textbooks printed in Braille and preparing a screen reader in Macedonian and Albanian;
- Preparation of curricula for all subjects in accordance with the dynamics of implementation of the Concept for elementary education;
- Revision of the Concept for extracurricular activities in accordance with the Concept for elementary education;
- Accreditation of training programmes, that is, bidder/s for training and services for the educational staff in the elementary/ secondary schools in accordance with the Law on BDE;
- Preparation of a Catalogue of accredited training programmes and service providers;
- Preparation of a new Concept and a new Law on Secondary Education;
- Continuous monitoring and support of the educational staff in elementary and secondary schools;
- Reforming of the approach used for keeping pedagogical records and documentation;
- Implementation of the Project for unhindered access in 14 educational institutions across the country - 6 elementary schools, 4 secondary schools and 4 faculties through the Action Programme of 2019-IPA 2 - EU for inclusion for which the technical documentation (adaptation designs) has been prepared and the construction activities are expected to begin in June/ July 2021.

## Medium-term priorities

- Preparation of curricula for all subjects in accordance with the dynamics of implementation of the new Concept for secondary education and the new Law on Secondary Education;
- Development of concepts and professional documents for successful implementation of the new Concept for secondary education;
- Improving the quality of textbooks and didactic materials in accordance with the concepts and methodologies for

textbook evaluation;

- Continuous monitoring and support of the educational staff in elementary and secondary schools;
  - Implementation of the new approach in keeping pedagogical records and documentation.
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## VOCATIONAL EDUCATION AND TRAINING

### Current situation

In January 2021, the Government adopted a new Law on Adult Education, which regulates the system of validation of the non-formal education and learning, in terms of educational and vocational qualifications, simplifies the process of verification of non-formal programmes and verification of educational institutions for adults. The validity period of the verifications increases from 3 to 5 years and a system of re-verification is foreseen for those programmes that have been successfully implemented.

Since 1 January 2021, the three regional centres for vocational education and training started to work in Tetovo, Kumanovo and Ohrid.

On the basis of the consultative meetings that had participation from over 300 companies, the Competition for enrolment in the academic year 2021/2022 was prepared and announced (greater focus is placed on the vocational education).

In cooperation with the chambers of commerce, a new Law on Vocational Education and Training was drafted, which was published for consultation with the general public. The Law regulates in full the practical training, work-based learning, regional centres for vocational education and training.

Documents have been prepared and activities have been coordinated regarding videos to be available at the EDUINO platform in order to assist the vocational schools in the implementation of remote learning. The Standard for professional and other staff (mentors) for conducting practical training of students at employers has been developed and the plan and programme for training of professional and other staff (mentors) for conducting practical training of students at employers have been revised, including revision of other documents. Guidelines (instructions and tips) for the realisation of remote learning in secondary vocational education have been prepared; Guideline for the realisation of the reduced curricula in the secondary education in the academic year 2020/2021 has been prepared, and Guideline for the realisation of the teaching process in the state secondary schools with special educational needs in the academic year 2020/2021 was also prepared. The Government adopted a Protocol for conduct of the secondary schools in the Republic of North Macedonia during the enrolment of students in the first year in the academic 2020/2021

("Official Gazette" No. 140/20 from 29 May 2020) and a Protocol for conduct of the Mathematical-information gymnasium when taking entrance exam for the students in the academic year 2020/2021 (Official Gazette No. 140/20 from 29 May 2020); The Government also adopted a Protocol on the manner of testing of the sports skills and abilities of students in a situation of COVID-19, in accordance with the recommendations of the Commission for Infectious Diseases. A working group was established within the BDE, including representatives of the Ministry of Education and Science, which prepared a draft plan and protocols for implementation of the teaching process in the academic year 2020/2021. Additionally, since September 2020, a series of operational protocols were also adopted<sup>89</sup>.

The revision of the documents is supported by the Employment Education Project (E4E@mk), with the participation of representatives from the Chamber of Commerce and representatives from the Centre for Vocational Education and Training. A programme for Safety and Health at Work has been prepared, mandatory for implementation in vocational schools before sending the students to vocational training. Third-year programmes have been prepared for the "Industrial Mechatronics Technician" qualification, which has been designed and developed at the request of the companies.

The production of promotional materials for vocational education has been finalised (brochure-Guide through the qualifications in vocational education), including promotional (videos and posters). Three promotional videos for vocational education have been made, which are aired on MRTV within the e-school programme. All materials are made in 4 languages of instruction: Macedonian, Albanian, Turkish, and Serbian.

## Short-term priorities

- Adoption of a new Law on Vocational Education and Training
- Adoption of the Concept for establishing regional centres for vocational education and training
- Adoption of bylaws for validation of non-formal education and informal learning
- Increasing the volume of practical education in order to better prepare the students for entry on the labour market
- Providing VET attractiveness through promotional campaigns.

<sup>89</sup> Protocol for work of secondary schools for students with special educational needs, Protocols for work of pedagogues in secondary education, Protocol for activities of the penitentiary-correctional institutions for realisation of the educational process with physical presence of convicts in the academic year 2020/2021, Protocol for activities of the penitentiary-correctional institutions for realisation of the practical teaching with physical presence of the convicts in the academic year 2020/2021, Protocol for activities of the secondary schools in which vocational education and training is realised in the Republic of North Macedonia for conducting practical teaching with physical presence of students in the academic year 2020/2021, Reduced curricula for secondary education have been prepared and approved in accordance with the changes in the calendar, which reduced the number of teaching days from 180 to 159 and in the final years from 166 to 145 teaching days. A decision was adopted to amend the decision for amendment of the part of the curricula for secondary education with regards to the norm for teaching staff in the relevant profession/ sector in the vocational education, as well as for foreign languages and informatics. A decree was adopted on the manner of organising and conducting teaching in emergency situations in elementary and secondary schools. Guidelines on the procedure for reporting and protecting students who are victims of any form of violence, abuse and neglect have been prepared. Guidelines have been prepared for teachers on the manner of assessing students during the time of realisation of the teaching process through remote learning. To provide support and successfully prepare for the beginning of the new school year, a

## Medium-term priorities

- Harmonisation of the vocational education and training with the labour market needs
- Improvement of the learning environment and the quality of vocational education and training
- Increased coverage with vocational education and training
- Improvement of human resource capacities by preparing methodology for accreditation of providers for training in vocational education; support and activities aimed at career development of teaching staff; and continuous improvement of the professional competencies of the teachers.
- Implementation and establishment of a system for validation of non-formal education and informal learning

## NATIONAL QUALIFICATIONS FRAMEWORK

### Current situation

The 10 sectoral qualification commissions have been established (Hospitality and Tourism, Chemistry and Technology, Construction and Geodesy, Electrical Engineering, Personal Services, Economy, Law and Trade, Mechanical Engineering, Textiles, Leather and Related Products, Agriculture, Veterinary and Fisheries, Health and Social protection). The NQF register is functional, and training have been held on its use for representatives of the Ministry of Education and Science, Adult Education Centre, Centre for Vocational Education and Training, Bureau for Development of Education and a member of the sectoral qualification commissions.

Seventy six qualifications have been approved by the National NQF Board. The adopted qualifications and their decisions, documents and methodologies are publicly available on the official website [mrk.mk](http://mrk.mk) as well as entered in the Register of Qualifications. The already prepared qualification standards are expected to be adopted in the following period. The Board adopted the recommendations for inclusion of the international qualifications in the Register and for preparation of the communication strategy for the Framework. Due to the actual need, the Board adopted the remarks from the thematic session on green jobs, for preparation of qualifications for green jobs, and they are already published in the Register of Qualifications.

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series of webinars for teachers and principals of elementary and secondary schools were organised via the Eduino portal, at which the Plan and protocols for delivery of the teaching process were developed. A Rulebook has been adopted to amend the Rulebook on the manner of conducting school excursions for secondary school students. The amendment stipulates that, during the organisation and implementation of teaching that lasts less than 180 teaching days, as well as the realisation of classes in accordance with reduced curricula due to emergency situations (existence of crisis situation has been determined, including official epidemic or fires, floods or other major natural disasters), or during the organisation of remote learning, the school shall not prepare a programme for school excursions/ field trips. During the organisation and realisation of the teaching process that lasts less than 180 teaching days, as well as the realisation of the teaching process in accordance with reduced curricula in a situation of emergency (existence of crisis situation has been determined, including official epidemic or fires, floods or other major natural disasters), or during the organisation of remote learning, the school can organise two one-day excursions with the students during the school year, in autumn and spring, and they are performed lasting up to five hours, for the purpose of realisation of sports, recreational and educational purposes. The excursions are organised at a distance of up to five kilometres from the school, without the use of public transport, and on a yearly basis, but not more than two classes on the same day at the same location.

## Short-term priorities

- Establishment of new sectoral qualification commissions in accordance with the Law on NQF
- Adoption of new qualification standards according to the needs

## HIGHER EDUCATION

### Current situation

Activities for further implementation of the Bologna Process:

- The report on the progress of the Bologna Process was submitted, aligned with the remarks of the Bologna Secretariat;
- The Agency for Quality in Higher Education (AQHE) has been established (16 January 2020); the Higher Education Accreditation Board (12 March 2020) and the Higher Education Evaluation Board (12 March 2020) were constituted, the rules of procedure of the Higher Education Accreditation Board and the Higher Education Evaluation Board were adopted; the Ministry of Information Society and Administration adopted the Rulebook on systematisation of jobs in AQHE; this same Ministry also adopted the Rulebook on the internal organisation of AQHE; the AQHE website was developed and put into operation;
- In terms of higher education, the capacities of the Agency for Quality in Higher Education have been strengthened and the National Council for Higher Education and Scientific Research has been established;
- In May 2021, a Collective Agreement for higher education was signed for the first time between the Ministry of Education and Science and the Trade Union for Education, Science and Culture (SONK);
- All bylaws from the Law on Higher Education under the competence of the Ministry of Education and Science have been adopted. All documents are published on the official website of the Agency for Quality in Higher Education <http://akvo.mk/index.php> - Rulebook on the methodology, standards and procedure for accreditation of higher education institutions and accreditation of



study programmes (adopted by the National Council for Higher Education), Rulebook on standards and procedure for external evaluation and self-evaluation (adopted by the National Council for Higher Education). Other acts that regulate the administrative-technical work of AQHE have been adopted, the forms for submitting the project for the establishment of independent public, private-public or private higher education institution have been prepared; have been prepared, for all cycles of studies. The Board for Accreditation of Higher Education, at the session held on 24 June 2020, adopted the Rules of Procedure of the Board for Accreditation of Higher Education;

- Active participation in thematic working groups, established in accordance with the Paris Communiqué on the Qualifications Framework, on the quality in higher education and recognition of qualifications;
- Active participation in the regular activities and meetings of the working group for modernisation of higher education ET2020 WG HE and in the meetings organised by it for exchange of experiences (Peer Learning Activities PLA) such as those on academic integrity, STEM in higher education;
- Active participation in the work of national correspondents for higher education qualification frameworks within the Council of Europe and preparation of the new criteria and procedures for self-certification.

## Short-term priorities

- Active participation in the project for recognition of academic qualifications (EPER - Effective Partnership for Enhanced Recognition), led by the Republic of Croatia, obtained within ERASMUS and intended to support the Bologna reforms. The project considers the regional approach to automatic recognition of qualifications and preparation of a procedure for recognition of qualifications of refugees;
- The BAQUAL-Better Academic Qualifications through Quality Assurance project has been approved as well, which is also led by the Republic of Croatia and is dedicated to the full implementation of ESG 2015 - Standards and Guidelines for Quality Assurance in the European Higher Education Area. Consideration

of the possibilities for preparation of standards for higher education qualifications and use of qualification frameworks in the quality assurance procedures in higher education.

The projects are expected to be completed by the end of 2021.

## Medium-term priorities

Implementation of the ESG2015 recommendations in the procedures of the Accreditation and Evaluation Boards. This activity is expected to be completed by 2023.

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## CAPITAL INVESTMENTS

### IN EDUCATION

#### ANNOUNCED (ONGOING) PUBLIC PROCUREMENTS

- Reconstruction of the burned building PU "Strasho Pindzur" village Krupishte, municipality of Karbinci with expert-technical supervision;
- Complete reconstruction of the elementary school "Kocho Racin" - Agricultural school with a dormitory which is part of the school, municipality of Sveti Nikole, with professional and technical supervision;
- Reconstruction of sanitary facilities in the elementary school "Orde Chopela", municipality of Prilep;
- Construction of a new school building in the village of Dolno Blace, municipality of Chucher Sandevo, with expert-technical supervision;
- Construction of a new school building at the elementary school "Naim Frasheri" in Mala Rechica, with expert-technical supervision;
- Completion of the unforeseen works during the realisation of the Contract for construction of a student dormitory for the needs of the State University in Tetovo.

#### PROJECT DOCUMENTATION

During this period, revised technical documentation was completed and submitted, as follows:

- Technical documentation for the special elementary school "Dr. Zlatan Sremec", municipality of Kisela Voda;
- Technical documentation for reconstruction/adaptation of the elementary school "Cyril and Methodius", village of Presil; elementary school "Cyril and Methodius", village of Buchin; elementary school "Nikola Karev" in Krushevo, municipality of Krushevo;
- Technical documentation for reconstruction of a burned building, "Strasho Pindzur", village of Krupishte, municipality of Karbinci;
- Technical documentation for reconstruction/rehabilitation "Sando Masev", village of Banica; and "Sando Masev", village of Dobrejci, municipality of Strumica;
- Technical documentation for rehabilitation/replacement of dilapidated materials of Building 1 and Building 2 for student dormitory "Stiv Naumov", student dormitory Skopje, municipality of Gazi Baba;
- Technical documentation for elementary school "Maca Ovcharova", municipality of Veles.

#### BUILDINGS - COMPLETE

- Reconstruction of the boiler room in the elementary school "25 May" in Singelich;
- Replacement of the roof covering of the elementary school "Cyril and Methodius", municipality of Tetovo;
- Rehabilitation of the ground floor with infrastructure network and access paths in the campus of the student dormitory "Goce Delchev", municipality of Karposh;
- Reconstruction of the hot water heating system in the elementary school "Blazhe Koneski", municipality of Veles;
- Construction of a wing for the elementary school "Dimitar Pop Berovski" in Hrom, municipality of Gjorche Petrov;
- Construction of a wing for the elementary school "Tihomir Miloshevski", village of Volkovo (Novoselski road), municipality of Gjorche Petrov.

#### CONSTRUCTION WORKS - IN PROGRESS

- In July 2020, following a conclusion of the agreement, the construction of a new school building started in the elementary school "Naim Frasheri" in Mala Rechica, municipality of Tetovo;
- Reconstruction of the burned building "Strasho Pindzur", village of Krupishte, municipality of Karbinci;
- Reconstruction of toilets facilities in the elementary school "Orde Chopela", municipality of Prilep;
- Upgrading and extension of the elementary school "Lirija", village of Gorno Jabolchishte, municipality of Chaska;
- Completion of the gym in the elementary school "Faik Konica", village of Debreshe, municipality of Gostivar;
- Construction of a new building for the elementary school in the village of Batinci, location called Ljubosh, municipality of Studenichani;
- Construction of a student dormitory in the campus of the State University in Tetovo
- Completion of the construction for the elementary school "Dimitar Makedonski", Municipality of Aerodrom.



### PROJECT: 145 SPORTS HALLS

Realisation of activities in the period January-November 2020:

- The construction of sports halls in 9 elementary schools has been completed;
- The construction of a sports hall in one secondary school has been completed;

A grant was received for rehabilitation of 30 existing school sports halls in elementary and secondary schools and equipping with sports equipment of 50 sports halls in elementary schools.

### REHABILITATION OF ELEMENTARY AND SECONDARY SCHOOLS

Rehabilitation of elementary and secondary schools:

- The construction activities for rehabilitation of 13 elementary and secondary schools have been completed;
- Construction activities for rehabilitation of 3 schools are currently in progress.

## Short-term priorities

The construction/ extension/ reconstruction and adaptation of facilities in elementary, secondary and higher education, as well as improvement of the standard in the pupil and student dormitories continue.

The 145 sports halls project continues.

## Medium-term priorities

Continuation of the improvement of the educational infrastructure in the elementary, secondary and higher education, improvement of the infrastructure of pupil and student dormitories, finalisation of the sports halls in the elementary and secondary schools, investment in the infrastructure of state elementary and secondary schools .

# STATE EDUCATION INSPECTORATE (SMI)

## Current situation

In the period January - November 2020, 6,976 inspection supervisions were conducted. During this period, the State Education Inspectorate conducted a total of 27 integral evaluations in educational institutions. The indicators for assessing the quality of the educational process when performing an integral evaluation are adapted so that they can be used in the new situation of conducting online teaching.

## Short-term priorities

Implementation of activities in accordance with the Work Programme of the State Education Inspectorate.

## Medium-term priorities

Strengthening of capacities of the State Education Inspectorate with new employments and continuous staff trainings; technical equipping

with new software for monitoring of daily supervisions, as well as update of the existing hardware and purchase of a new one.

## STATE EXAMINATION CENTRE (DIC)

### Current situation

In 2020, the State Examination Centre implemented the state matura exam (baccalaureate) in June and August exam sessions. The basic training and the exam for principals of elementary and secondary schools and civil universities are continuously performed. Preparations are underway for the main test from the international PIRLS study on a sample of about 4,000 students from 150 elementary schools and a trial PISA test on a sample of about 3,000 students from 60 secondary schools. During 2020, the State Examination Centre prepared the Concept for state testing in elementary education adopted by the Minister of Education and Science, and preparations are underway for realisation of the first trial state testing scheduled to be realised in 2021. Furthermore, The State Examination Centre published a National Report on the results of PISA 2018 as well as a report from the state matura in the school years 2018/2019 and 2019/2020.

### Short-term priorities

- Continuous realisation of the state matura exam
- Revision of the Concept for state matura
- Realisation of the main PIRLS2021 testing
- Realisation of trial and main PISA2021 testing and further participation in TIMSS, publication of a national report from TIMSS2019
- Realisation of the state testing in the third grade
- Realisation of basic training and exam for principals and starting with advanced trainings for principals, including realisation of professional exam for teachers.



## Medium-term priorities

- Further participation in international tests
- Publication of reports from international tests
- Realisation of the first state testing in the fifth grade
- Publication of the first report from the state testing

## ADULT EDUCATION CENTRE (ADC)

### Current situation

The new draft Law on Adult Education is in Parliamentary procedure. In January 2021, the Government adopted a new **Law on Adult Education**, which regulates the system of validation of non-formal education and informal learning, in the area of educational and vocational qualifications, and simplifies the process of verification of non-formal programmes and the verification of institutions for adult education. The Law also extends the validity of the verifications from 3 to 5 years and provides a re-verification system for the successfully implemented programmes.

ADEC, in cooperation with SMI, and with the support of the Employment Education E4E@mk project, prepared a draft document in 2019: Indicators for measuring quality in non-formal education. The document was prepared in order to raise the quality of the non-formal education. The plan was to pilot this document in 2020 with three different service providers and prepare its final version. Due to the COVID-19 situation, piloting was implemented at one service provider. In agreement with the SMI, the piloting will be realised in 2021 with two service providers, followed by the preparation and adoption of a final version.

ADEC continues with the regular activities for verification of the special programmes for adult education and the Project for shaping of the secondary vocational education for persons who completed only elementary education.

Piloting of the system for validation of non-formal and informal learning is in progress, with the support of the Employment Education Project E4E@mk. The piloting is carried out on two qualifications (façade worker and waiter), in accordance with the Skills Labour Market Analysis of the Employment Service Agency in MK. The piloting is carried out in "Zdravko Cvetkovski" and "Lazar Tanev" secondary schools, and this process is planned to be completed by 20 participants (10 for each qualification).



## Short-term priorities

- Following the adoption of the legislation, the bylaws for the validation system for non-formal and informal learning will be prepared.
- In order to raise the quality of the adult education, the Centre will pilot the indicators for measuring the quality of non-formal adult education, and will prepare their final version after the pilot.
- The Centre for Adult Education will organise visits to the municipalities in order to promote adult education and lifelong learning, as well as to introduce all relevant factors in adult education with the activities of the Centre for Adult Education.

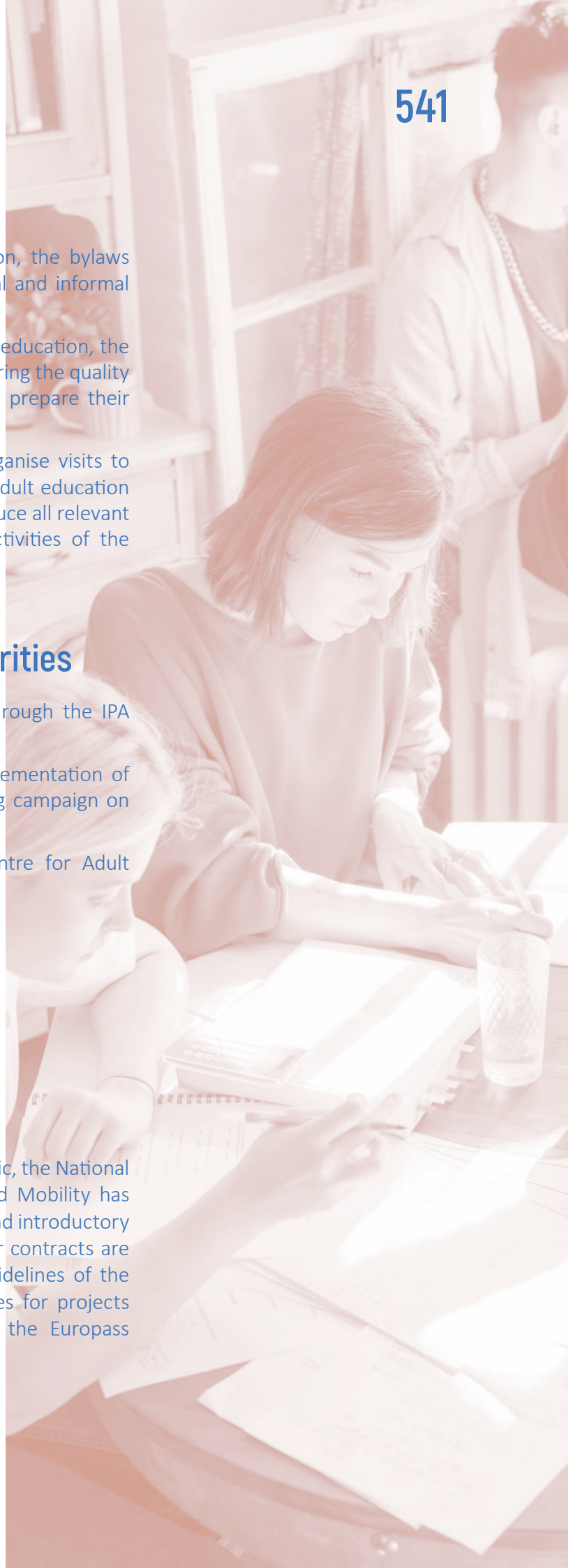
## Medium-term and long-term priorities

- Implementation of the VNIU system through the IPA programme;
- Promotion of adult education and implementation of the Strategic Plan for awareness- raising campaign on the opportunities and benefits of VNIU;
- Strengthening of capacities of the Centre for Adult Education.

## EU PROGRAMMES

### Current situation

In the past period, marked by the COVID-19 pandemic, the National Agency for European Educational Programmes and Mobility has focused on conducting online training, workshops and introductory meetings with the end-users. Amendments to their contracts are continuously prepared, in accordance with the guidelines of the DG Education and Culture, to extend the deadlines for projects implementation. An ECVET workshop related to the Europass portfolio was held in October 2020.



The National Agency for European Educational Programmes and Mobility is actively working on preparations for implementation of the Erasmus+ and European Solidarity Corps programmes in the new framework 2021-2027.

The European Commission has set the following horizontal priorities:

- Digital transformation
- Sustainability, environment and climate change objectives
- Inclusion and diversity
- Participation in democratic life

## Medium-term priorities

- Implementation of all necessary measures and activities for institutional upgrade in order to successfully decentralise the management of the Erasmus Plus Programme with its other responsibilities, as well as successful start of the Erasmus Plus Programme 2021-2027.
- Digitisation of the National Agency
- Regular operation and maintenance of the information systems and further planning and development of software tools
- End-user training in the use of functionally specific software tools
- Strengthening the institutional capacities by conducting programme-specific trainings intended for the employees
- Development of programme-specific trainings intended for end-users

## YOUTH

### Current situation

The Law on Youth Participation and Youth Policies has been officially adopted (Official Gazette 10/20). For the first time in the country, this Law defines the category of youth, forms of youth participation and representation, the register of youth organisation forms, youth

participation, policies and services for youth.

Twenty two persons submitted documentation in a response to the public call for Young Talented Persons, which is active throughout the year, out of which 21 young talented people who met the criteria were awarded a cash prize. The total net amount paid on this basis is MKD 1.256.070,00.

In the frames of the realisation of the "Support to young entrepreneurs" project, funds in the amount of MKD 440,000 were allocated for start and realisation of a business plan, applied by young persons aged 18-29 years.

Thirty eight civil society organisations are financially supported for implementation of youth projects, with a total amount of MKD 8.310.000,00.

Capital investments in sports infrastructure - In terms of capital investments, several projects have been started for reconstruction of the existing sports infrastructure, as well as the realisation of the "Construction of 14 swimming pools" project, and this infrastructure is being built in 6 municipalities, in the frames of the first phase (Tetovo, Kisela Voda, Gyorche Petrov, Bitola, Kichevo, Shtip). Another project was also started – "Construction of 10 basketball courts", 5 of which have been built and handed over to the municipalities. In terms of reconstructions of the sports facilities, the football fields in Kavadarci and Veles have been finished, including sports halls in Negotino and Resen and a walking trail in Kisela Voda.

## Short-term priorities

- Support for young artists and young poets
- "Sportska Nadezh" scholarships
- Support for young entrepreneurs
- Establishment of a pool of coaches
- Establishment of a research centre within the Agency for Youth and Sports
- Establishment of a Register of youth organisations
- Support for young talented people
- Opening of youth centres in 4 municipalities
- Appointment of a youth officer in each institution
- Improving the sports infrastructure

## Medium-term priorities

- Capital investments in sports infrastructure
- Implementation of the Law on Youth Participation and Youth Policies
- Preparation of the National Strategy for Youth 2021-2025

## SPORT

In accordance with the EU Work Plan for Sport (2021-2024), key objectives in the next period in the field of sports are promotion of a physical activity, that is, increasing participation in sports and a physical activity in order to improve health. Intersectoral cooperation is envisaged in order to affirm the benefits of a physical activity and promotion of public health and active nation, including development of guidelines for recommended a physical activity for different categories of citizens.

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Other priority areas are related to protection of integrity and values in sport, guided by the principles of transparency, accountability and responsibility. The principle of good governance in the sports sector will be affirmed by implementing the proposed measures and recommendations and by creating a manual for good governance in the national sports federations and sports entities. At the same time, the focus will be on safe sports and the promotion of gender equality in sports through equal representation of women in all segments of the sports sector (coach, sports management, leadership).

In order to promote the relations and cooperation with neighbouring countries and strengthen regional cooperation, the concept of sports diplomacy will be developed. Within the framework of sports diplomacy, the cooperation in cross-border exchange and sharing of good practices in the field of sports for peace and development will be intensified.



# CULTURE

## CREATIVE EUROPE (CULTURE AND MEDIA)

### Current situation

The Creative Europe Programme (Culture and MEDIA sub-programmes) is implemented by the Office for Creative Europe within the Ministry of Culture, as a coordinating body for the Culture sub-programme and the Film Agency for the MEDIA sub-programme. At the proposal of the European Commission, due to the pandemic situation, the Offices of Creative Europe, including the Office for Creative Europe (Culture and MEDIA) - Ministry of Culture signed an extension with the Executive Agency (EASEA) for another 6 months (until 30 June 2021) of the activities provided in the Specific Grant Agreement No. 596582– CREA-3 - 2020 - MK - CULT - CEDESK intended for co-financing of the Office for 2020.

### **Activities realised by the Office for Creative Europe (Culture and MEDIA):**

- The Ministry of Culture, that is, the Office for Creative Europe - Culture sub-programme, organised a two-day regional seminar in February 2020 dedicated to "European Union Support for Cultural Cooperation in the Western Balkans: Seminar on Promotion and Networking". In addition to the EC representative, the event was attended by representatives of the Offices for Creative Europe - Culture sub-programme, as well as cultural operators from the relevant countries of the Western Balkans: Bosnia and Herzegovina, Kosovo, Serbia and the neighbouring countries in this region who are members of the European Union: Republic of Greece, Republic of Bulgaria, Republic of Slovenia and Republic of Croatia. The main focus of the event was the public call - "Creative Europe Cultural Cooperation Projects in the Western Balkans" with emphasis on the complex regional and European cultural policies and capacity building. The seminar provided an opportunity to find partners from the region and for direct networking between operators from relevant



countries, and technical assistance for development of project applications within the ongoing call of Creative Europe programme - Cultural Cooperation Projects with, and within, the Western Balkans.

- Over 40 consultations with potential applicants for participation in the programme;
- Participation of the Office for Creative Europe representatives in the online meetings of the Offices for Creative Europe organised by the European Commission;
- A representative from the Ministry of Culture participated in 3 meetings of the Programme Committee for the Creative Europe Programme (Culture and MEDIA);
- The MEDIA Office organised 9 events and consultations with potential applicants from the audio-visual sector; printing of promotional materials;
- Updated website of the Office for Creative Europe of the Republic of North Macedonia [www.ced.mk](http://www.ced.mk), information on activities and news are also published on the website of the Ministry.

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In cooperation with the EU Delegation, EU houses, beneficiaries and other partners, promotional events and materials were prepared dedicated to the results of the implementation of the Creative Europe Programme in the Republic of North Macedonia, and the new programme that will be organised in June 2021.

**During 2020, the following projects from the two sub-programmes were supported:**

The **Culture** sub-programme supported 13 projects within the following categories:

- Projects for cooperation with the Western Balkan countries: 10 projects (12 organisations from our country participated in the selected projects, mainly as co-organisers). Macedonian organisations are leading partners in two projects (total EU grant for projects involving Macedonian organisations is EUR 3.632.832);
- Small-scale cooperation projects, where 3 projects were supported (EU grant of EUR 548.412.00 for all partners)
- Literary translation projects: 6 projects (total EU grant of EUR 367.912,00);



- Five projects are supported by the MEDIA sub-programme (total EU grant of EUR 108.216) within the following calls: Unique development projects, Film festivals and the European Film Platform.

Activities at the highest level continue, in accordance with the guidelines of the European Commission related to definition and implementation of the Agenda for the Western Balkans of the European Commission.

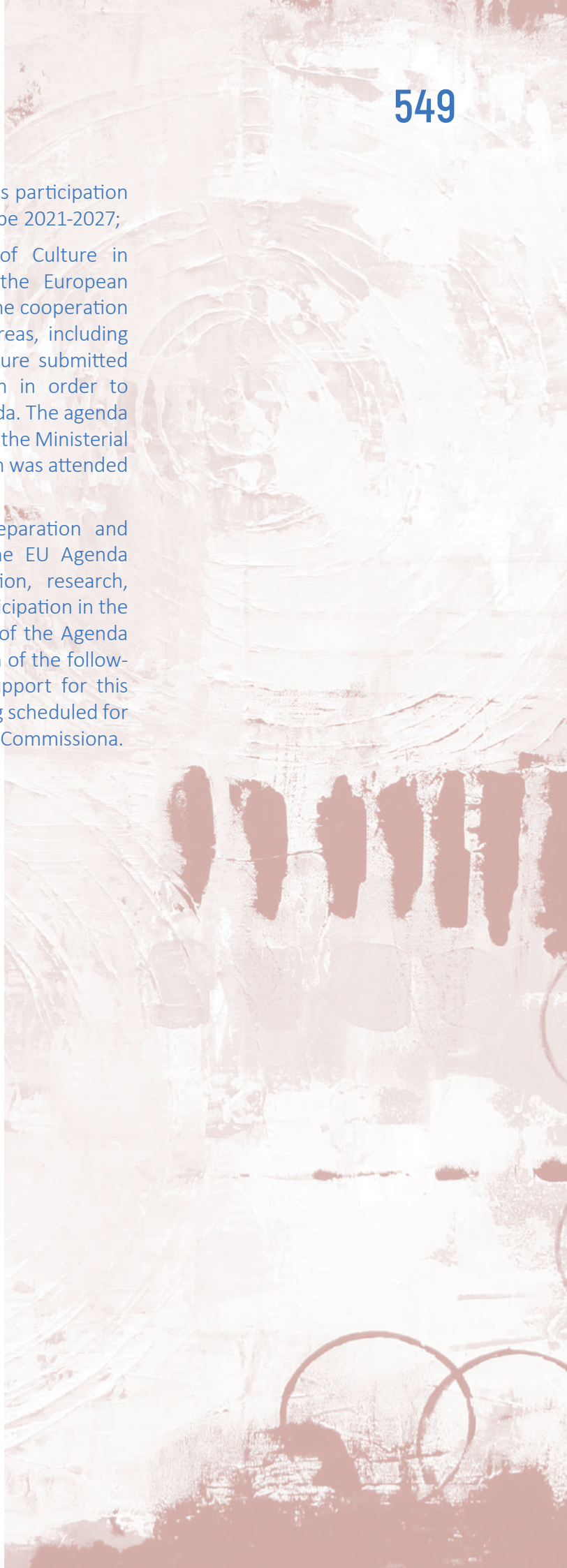
## Short-term priorities

- Promotion of the Creative Europe Programme 2014-2020 and successful projects, and informing the users from the cultural and creative sectors about the new programme;
  - Focus on promoting the successful projects;
  - Negotiations and administration of the process related to participation of our country in the new Creative Europe programme 2021-2027;
  - Planning of activities of the Office for Creative Europe for the period July 2021 and 2022.
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## Medium-term priorities

- Implementation of the Creative Europe Programme (Culture and MEDIA) in the period 2021 - 2027; in accordance with the criteria and priorities of the new programme at national and European level and in accordance with the role of the Offices for Creative Europe;
- Development of information and communication strategy - the objective of the strategy is to provide wider promotion and visibility of the Programme at national and local level;
- Capacity building of the cultural and creative sector at the state level;
- Networking and Digitalisation - providing support for finding partners, networking and participation in European professional networks, as a key element for participation in European cultural projects;
- Activities for promotion of cooperation between the Macedonian professionals and the competent European experts in the areas covered by the new Creative Europe programme 2021 -2027;

- Support for intersectoral policies towards participation in, and implementation of, Creative Europe 2021-2027;
- Active participation of the Ministry of Culture in the Western Balkans Programme of the European Commission, which aims to strengthen the cooperation in the negotiation process in several areas, including the culture sector. The Ministry of Culture submitted priorities to the European Commission in order to incorporate them in the text of the Agenda. The agenda was supported at the highest level within the Ministerial meeting held on 2 December 2020, which was attended by the Minister of Culture;
- Regular contribution to document preparation and participation in activities related to the EU Agenda for the Western Balkans for innovation, research, education, culture, youth and sport. Participation in the meetings of the management platform of the Agenda for the Western Balkans and preparation of the follow-up activities, at the highest level of support for this Agenda, including the Ministerial meeting scheduled for 27 May 2021 organised by the European Commission.



## UNESCO

# UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions

## Current situation

On 2 April 2007, the Republic of North Macedonia ratified the UNESCO International Convention on the Protection and Promotion of the Diversity of Cultural Expressions. With the adoption of the Law on Ratification of the Convention, the country emphasised its strong commitment to a modern approach to the protection and promotion of cultural expressions, as well as to the creation of conditions for strengthening of the international cooperation in the field of culture. In the following period, it is necessary to establish an intersectoral working group in order to start the preparatory activities related to implementation of the Convention in accordance with UNESCO standards.

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## Ohrid region

## Current situation

The Republic of North Macedonia remains firmly committed to preserving the status of the World Natural and Cultural Heritage of the Ohrid Region.

On 28 January 2020, the Government, at its 5th session, adopted the Report on the State of Protection of the Natural and Cultural Heritage of the Ohrid Region and the progress in implementing the recommendations of the Decision of the World Heritage Committee (43 SOM 7V.36) for 2019 and submitted it to the UNESCO World Heritage Centre. As an integral part of the Report, the Government adopted the *Plan for management of the world natural and cultural heritage of the Ohrid region for 2020-2029 with an action plan* on 21 January 2020.

In the period from 27 to 31 January 2020, a joint reactive monitoring mission of the World Heritage Centre and advisory



bodies (ICOMOS and IUCN) visited Albania and North Macedonia in order to determine the degree of protection of the natural and cultural heritage in the Ohrid region, that is, to determine the progress in fulfilling the mission recommendations from 2017 and the Decision of the 43rd session of the World Heritage Committee (Baku, Azerbaijan, 2019).

In December 2020, the draft mission report was submitted to our country and, in accordance with the procedures of the UNESCO World Heritage Centre with the member states, our country identified and submitted the factual errors regarding this Report. The final report on our country by the UNESCO World Heritage Centre is expected soon.

As regard other activities related to implementation of the UNESCO recommendations concerning the world natural and cultural heritage of the Ohrid region, it should be emphasised that the Report on the state of protection of the Natural and Cultural Heritage of the Ohrid region and the progress in the implementation of the recommendations from the Decision of the World Heritage Committee (43 COM 7B.36) for 2020, prepared in coordination between the Government and the competent bodies, institutions and local self-government units, was adopted by the Government at its 45th session held on 16 February 2021 and was officially submitted to the UNESCO World Heritage Centre on 25 February 2021. The report is publicly available on the website of the Ministry of Culture.

The Report once again emphasises the efforts of our country to preserve the status of World Natural and Cultural Heritage of the Ohrid region. In parallel with the preparation of the *Plan for management of the world natural and cultural heritage of the Ohrid region (2020-2029)*, the Government conducted a *Strategic assessment of the impacts on the environment and cultural heritage*. An *inventory of illegally constructed buildings on the concerned territory* was also prepared, thus fulfilling the preconditions to proceed to the preparation of the *Environmental Impact Assessment (EIA)* and the *Cultural Heritage Impact Assessment (HIA)*.

Additionally, rehabilitation and reconstruction of the collector system on the Ohrid Lake has started, and over EUR 4 million are allocated from the state budget for implementation of the works herewith. The project for diversion of the Sateska River continued. The construction of the structures needed for partial return of the Sateska River flow towards the Crn Drim riverbed is expected to be completed by the end of 2023 at the latest.

Following the Decision of the World Heritage Committee 43 COM 8B.9 (Baku, Azerbaijan, 2019) to accept the expansion of



the borders of the concerned territory in the Republic of Albania, the two member states proceeded to establish a system for joint management of natural and cultural heritage in the Ohrid region. The Joint Management Committee was established and held its first working meeting in January 2020.

The Republic of North Macedonia is fully committed to the Decisions of the World Heritage Committee in order to develop and implement measures intended to meet the most urgent recommendations set out in the Recommendations and raised by the Reactive Monitoring Mission in 2017. Some of the corrective measures and required activities have already been implemented, and some are expected to be finalised during 2021.

On 7 May 2021, the Draft Management Plan (2021-2030) and the Draft Environmental Impact Assessment Study of the Galichica National Park were submitted to the UNESCO World Heritage Centre for opinion.

## LEGISLATION

### Current situation

The Government adopted the draft Law on Realisation of the Public Interest in Culture and submitted it to the Parliament. The adoption of the Law will contribute to the promotion and development of the realisation of the culture, promotion of the legal basis for development of cultural activities, resolving of the current problems in the field, equality of artists regardless of origin, ethnicity, gender and more in creating culture, thus enabling equal rights guaranteed by law. The Law is currently in Parliamentary procedure.

The adoption of the Law will enable the realisation of the Constitutional principles such as:

- Guaranteeing of freedom of the artistic creation and exercising of the rights arising from it;
- Encouraging, assisting and protecting the development of art and culture by the state;
- Exercising of the right of the members of the communities (minorities) to freely express, cherish and develop their cultural identity and the peculiarities of their communities, as well as guaranteed protection

and realisation of the cultural rights;

- State care for the cultural rights of the citizens in the country and abroad.

The adoption of this Law will also:

- Emphasise the accountability and responsibility in the management and governance of national institutions, based on principles and knowledge of contemporary models for management in culture;
- Establish a system of public accountability for the work;
- Raise the responsibility of the project holders about the content and quality of the projects, but also the responsibility of the Ministry of Culture for the allocated funds;
- Create an efficient way of financing projects of national interest based on value criteria;
- Establish mechanisms for control of the intended use of funds;
- Harmonise the Law with the new Law on Misdemeanours and the new Law on Inspection Supervision.

With the Law on Protection of Cultural Heritage (Official Gazette No. 20/04, 115/07, 18/11, 148/11, 23/13, 137/13, 164/13, 38/14, 44/14, 199/14, 104/15, 192/15, 39/16, 11/18 and 20/19) defines the types, categories, identification, ways of putting under protection and other instruments of protection of the cultural heritage, the regime of protection and the use of cultural heritage, the rights and duties of the holders and the restrictions on the right of ownership of cultural heritage in the public interest, including organisation, coordination and supervision, professional titles and other issues that are important for the unity and functioning of the cultural heritage protection system. The Law on Protection of Cultural Heritage was adopted in 2004, and in the meantime it has been amended several times, mainly to align it with other systemic regulations and international documents relevant in this area.

During the implementation of the Law, it was determined that certain provisions in this Law negatively affect the implementation of measures for protection of cultural heritage. The new Law on Protection of Cultural Heritage that is proposed to be adopted should provide a solution to all the problems that have arisen in the past, with a new organisational set-up of the institutions for protection of cultural heritage, especially in relation to their subject of work and clearly defined competencies of the Cultural Heritage Protection Office.

## Short-term priorities

- Adoption of the Law on Realisation of Public Interest in Culture by the end of 2021.
- Adoption of the Law on Protection of Cultural Heritage by the end of 2021.
  
- **In terms of preserving the status of World Natural and Cultural Heritage of the Ohrid region**, the following activities will be undertaken in 2021:
  - Amendments to the Law on Construction with appropriate provisions that will take into account the Management Plan and opinions of the Commission for Management of the Ohrid Region as part of the procedure for construction in the protected area, in accordance with the expert input from the Management Commission and the Cultural Heritage Protection Office;
  - Adoption of a Law on Declaring the Ohrid Lake a Monument of Nature
  - Proclamation of Studenchishte Marsh in Ohrid as a protected area, in accordance with the domestic regulations and the Ramsar process;
  - Resumed activities for rehabilitation of the collector system of the Ohrid Lake;
  - Intensified removal of illegally constructed buildings in the Ohrid region, with priority on the coast and on the buildings noted by the National Park (NP) Galichica;
  - Preparation of a joint analysis by the competent institutions in North Macedonia and Albania for an alternative route for the railway Corridor 8 that passes through the protected area, in accordance with the UNESCO recommendations of 2017;
  - Preparation of analysis on the possibility of combining infrastructure projects passing through the Struga valley area (gas pipeline, electricity network Bitola-Elbasan and the A2 road) in order to avoid fragmentation of the region and destruction of the landscape of that region.



# CREATIVE INDUSTRIES

## Current situation

Recognising the potential of the creative industries as one of the most profitable sectors in the national economy, the Ministry of Culture, in collaboration with the British Council, prepared a mapping of the creative industries.

## Medium-term priorities

The Ministry of Culture recognises the need for preparation of strategic documents in the field of creative industries and in this regard, plans to initiate revision and update of existing mapping of the creative industries, in cooperation with international organisations (EU, Council of Europe, UNESCO) and other relevant institutions and bodies.

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## REFORMS IN THE MINISTRY OF CULTURE IN ACCORDANCE WITH THE EUROPEAN PRINCIPLES FOR PUBLIC ADMINISTRATION REFORMS, IN THE DIRECTION OF SUCCESSFUL IMPLEMENTATION OF THE STRATEGY FOR CULTURE 2018-2022

### Current situation

The reforms in the Ministry of Culture envisage the following activities: preparation of a functional analysis of the overall capacity of the Ministry in terms of human resources, existing capacity for policy making, analysis of laws and bylaws in the field of culture, rulebooks, etc.; revision of the National Strategy for Development of Culture 2018-2022, by providing a system for monitoring and evaluation of visible outcomes.

The service agreement has already been signed and a preparatory meeting that marked the beginning of the project was held on 20 April with representatives of the Ministry of Culture, EU Delegation and the company hired to implement the agreement. The project officially started on 5 May 2021.

### Short-term priorities

Conducting of functional analysis of the Ministry of Culture, the Cultural Heritage Protection Office and the Film Agency. The results of the realisation of this agreement include:

- Preparation of a Report of the Ministry of Culture and its specialised bodies, including measurability and feasibility of the strategic objectives of the Ministry and adequacy in the pre-accession process, with specific proposed measures, indicators and outcomes. The Report should provide revision of the following: a) the *National Strategy for Development of Culture in the*

*Republic of North Macedonia 2018-2022* with specific measures, outcomes, indicators and a monitoring and evaluation system; b) *the National Strategy for the Protection of Cultural Heritage 2021-2024* with specific measures, outcomes, indicators and monitoring and evaluation system;

- Audit of the following: a) the internal procedure for monitoring of projects that are part of the annual calls of the Ministry of Culture in various cultural areas; b) the internal procedure for monitoring of the annual programmes of the national institutions in the field of culture; c) the internal procedure for evaluation of the proposed projects according to the annual calls of the Ministry of Culture in various cultural areas;
  - Preparation of a report on assessment of the budgeting and reporting functions, by mapping the budget allocation;
  - Identification of obstacles to more efficient integration of the annual budgeting and the medium-term planning;
  - Development of reform options for more efficient strategic financial planning and budgeting.
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## Competitions of national interest

In terms of competitions of national interest, until the new Law on Realisation of Public Interest in Culture is adopted, a new Rulebook on the work of the commissions and the manner of scoring and selection of projects has been adopted, as an interim solution. The changes refer to the existing priorities on the basis of which projects are selected, in order to reduce their number, but at the same time to single out those priorities that are more essential for the development of culture and in accordance with the new Strategy for Culture 2018-2022. Special priority is paid to young participants.

The Ministry of Culture revised the rules of procedure of the commissions when it comes to review of projects of national interest in the field of culture by activities, in order to improve the rules, measurements and criteria used in the work and selection of project proposals.

The projects for 2021 were reviewed in accordance with the revised rules of procedure of the commissions, as follows: Procedure for administrative selection of applications submitted in response to the annual competitions of the Ministry of Culture.

The Ministry of Culture has revised the procedures for monitoring the implementation of projects of national interest in the field of culture, and has prepared two new operational procedures:

- Procedure for monitoring the implementation of the agreements for participation in the financing of projects of national interest in culture concluded with the users of the funds, and for control over the legal, purposeful and economical use of the funds.
- Procedure on the process of monitoring the implementation of the agreements for participation in financing projects of national interest in culture concluded with the national institutions, and for control over the legal, purposeful and economical use of the funds.

## Medium-term priorities

Trainings for the employees of the Ministry of Culture and the Cultural Heritage Protection Office (UZKN) arising from the performed functional analysis.

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# CUSTOMS UNION

## Findings and recommendations from the EC 2020 Report

North Macedonia has maintained a **good level of preparation** in the area of customs union. **Good progress** was made in the reporting period. The country has completed, applied and maintained a new electronic system for processing customs declarations and excise documents. The newly built customs terminal with Albania became operational. One-stop border control operations were established with Serbia.

Last year's recommendations were implemented. In the coming year, the country should:

- ▶ continue consolidation and full application of its IT systems, ensure their upgrade and maintenance, and ensure business continuity;
- ▶ fully implement CEFTA Protocol 5 on Trade Facilitation.

# SUMMARY

Customs legislation is largely in line with the EU legislation. Key priorities for the Customs Administration of the Republic of North Macedonia (CARNM) are the following: Trade facilitation; Revenue collection and protection of financial interests; Protection of society; Modernisation – which will be realised through the following activities, objectives and measures:

- Further harmonisation of national customs legislation and procedures with European Union legislation;
- Facilitation and acceleration of the flow of goods and passengers and provision of simple and predictable procedures and formalities;
- Ensuring effective and efficient controls and building sustainable international relations to ensure a secure and reliable supply chain;
- Ensuring efficient revenue collection;
- Strengthening of human resource management;
- Implementation of measures to prevent misconduct and conflict of interest and development of systems of rules and control;
- Improvement and further development of the ICT support systems;
- Improvement of the business processes and efficient and transparent management of public finances;
- Improvement of working conditions and transparency of the Customs Administration.

In the forthcoming period, the Customs Administration will focus on further development of the existing IT systems and will aim for further harmonisation of the customs legislation and acceleration of the procedures.

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# CUSTOMS LEGISLATION

## Current situation

The following acts were adopted in 2020:

- Decrees for classification of specific goods in the combined nomenclature in accordance with the regulations of the European Commission (Official Gazette No. 222/2020, 281/2020), which achieves alignment with the Regulations of the EU Commission for classification of specific goods in the Combined Nomenclature<sup>90</sup>;
- Decision on harmonisation and change of the Customs Tariff for 2021 (Official Gazette 282/2020) which achieves harmonisation with the Regulation (EEC) No. 1577 of the EU from 30 October 2020.

In the period January 2020-November 2020, additional acts and regulations related to customs operations were adopted for easier management of the COVID crisis:

- **Guidance on customs matters related to the COVID-19 state of emergency** – there were questions regarding the application of customs regulations in the decision-making procedure, customs procedures and customs formalities, as well as the application of procedures related to excise goods, especially in the area of dealing with ethyl alcohol intended for health care institutions and enterprises for the production of disinfectants. For certain cases, provisions are introduced in the customs and excise regulations that provide appropriate solutions in these extraordinary circumstances. The purpose of this document is to offer guidance to the affected parties, in a time of crisis, on practical solutions arising from the existing legal framework. This document will be amended as needed.
- **Instructions for movement of goods through the green corridors** within CEFTA (Article 7, Paragraph 4 of the Law on Customs Administration). The purpose of the "Green" priority corridors for the Western Balkans

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| 90 CELEX No. | 32001R0292, | 32001R0306,  |
| 32001R0645,  | 32001R1200, | 32001R2064,  |
| 32002R0141,  | 32002R0142, | 32002R0763,  |
| 32002R0849,  | 32002R1017, | 32002R1380,  |
| 32003R0055,  | 32003R0218, | 32003R1020,  |
| 32003R1021,  | 32003R1224, | 32003R1887,  |
| 32004R0231,  | 32004R0728, | 32004R0926,  |
| 32004R1989,  | 32005R0223, | 32005R0266,  |
| 32005R0635,  | 32005R1139, | 32005R1196,  |
| 32005R1966,  | 32005R1967, | 32005R2127,  |
| 32006R0227,  | 32006R0242, | 32006R0338,  |
| 32006R0437,  | 32006R0600, | 32006R0739,  |
| 32006R0781,  | 32006R1114, | 32007R0160,  |
| 32007R0161,  | 32007R0166, | 32007R0324,  |
| 32007R0377,  | 32007R0438, | 32007R0455,  |
| 32007R0651,  | 32007R0652, | 32007R0901,  |
| 32007R0902,  | 32007R0903, | 32007R0904,  |
| 32007R1178,  | 32007R1231, | 32007R1417,  |
| 32007R1439,  | 32007R1440, | 32007R1452,  |
| 32008R0119,  | 32008R0155, | 32008R0323,  |
| 32008R0334,  | 32008R0457, | 32008R0724,  |
| 32008R0725,  | 32008R0833, | 32008R1141,  |
| 32008R1142,  | 32008R1143, | 32008R01156, |
| 32008R1172,  | 32009R0051, | 32009R0056,  |
| 32009R0446,  | 32009R0447, | 32009R0198,  |
| 32009R0295,  | 32009R0299, | 32009R0349,  |
| 32009R0475,  | 32009R0476, | 32009R0477,  |
| 32009R0594,  | 32009R0609, | 32009R0674,  |
| 32009R0717,  | 32009R0718, | 32009R0872,  |
| 32009R0895,  | 32009R1051, | 32010R0042,  |
| 32010R0109,  | 32010R0152, | 32010R0153,  |
| 32010R0309,  | 32010R0310, | 32010R0336,  |
| 32010R0380,  | 32010R0455, | 32010R0465,  |
| 32010R0692,  | 32010R0716, | 32010R0727,  |
| 32010R0731,  | 32010R0732, | 32010R1065,  |
| 32010R1067,  | 32010R1076, | 32010R1155,  |
| 32011R0111,  | 32011R0112, | 32011R0113,  |
| 32011R0312,  | 32011R0313, | 32011R0314,  |
| 32011R0315,  | 32011R0316, | 32011R0428,  |

is to provide priority access to goods identified on a priority list, prepared by CEFTA Member States.

- **User manual on the operational use of the SEED system**, regarding the procedures for ensuring rapid flow of consignments of basic goods within the green corridors, in order to contribute to the acceleration of the turnover of consignments of basic goods (such as food, animal feed, chemicals and vital medical supplies and equipment), at the following customs border crossings located on the priority green corridors: Customs Office Tabanovce Highway, Customs Office Blace and Customs Office Kjafasan.

## Short-term priorities

- At the end of 2021, a Decision on harmonisation and change of the Customs Tariff for 2022 will be adopted, to achieve alignment and amend it in accordance with the EU Combined Nomenclature.
- During 2021, new amendments to the Regulation on the classification of specific goods in the Combined Nomenclature will be adopted on a quarterly basis in accordance with the regulations of the European Commission, in order to achieve alignment with the regulations of the European Union.
- At the end of 2019, the Government adopted the Law amending the Customs Law, which was sent to the Assembly and is expected to be adopted in 2021. The amendments to the Law are made in the section for misdemeanours, as an obligation arising from the amendments to the Law on Misdemeanours.

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| 32011R0447, | 32011R0497, | 32011R0756, |
| 32011R0757, | 32011R0761, | 32011R0762, |
| 32011R0763, | 32011R0772, | 32011R0773, |
| 32011R0774, | 32011R0775, | 32011R0776, |
| 32011R0825, | 32011R0826, | 32011R0873, |
| 32011R0874, | 32011R0875, | 32011R0884, |
| 32011R1195, | 32011R1196, | 32011R1200, |
| 32011R1201, | 32011R1202, | 32011R1203, |
| 32011R1204, | 32011R1247, | 32011R1248, |
| 32011R1249, | 32011R1271, | 32011R1272, |
| 32011R1303, | 32012R0074, | 32012R0103, |
| 32012R0104, | 32012R0105, | 32012R0106, |
| 32012R0144, | 32012R0145, | 32012R0146, |
| 32012R0211, | 32012R0297, | 32012R0298, |
| 32012R0299, | 32012R0300, | 32012R0301, |
| 32012R0399, | 32012R0400, | 32012R0401, |
| 32012R0455, | 32012R0491, | 32012R0553, |
| 32012R0554, | 32012R0696, | 32012R0697, |
| 32012R0698, | 32012R0714, | 32012R0715, |
| 32012R0726, | 32012R0727, | 32012R0749, |
| 32012R0750, | 32012R0894, | 32012R1089, |
| 32012R1108, | 32012R1109, | 32012R1110, |
| 32012R1111, | 32012R1112, | 32012R1114, |
| 32012R1123, | 32012R1124, | 32012R1125, |
| 32012R1126, | 32012R1127, | 32012R1128, |
| 32012R1129, | 32012R1130, | 32012R1144, |
| 32012R1145, | 32012R1170, | 32012R1171, |
| 32012R1172, | 32013R0041, | 32013R0042, |
| 32013R0043, | 32013R0069, | 32013R0070, |
| 32013R0273, | 32013R0274, | 32013R0275, |
| 32013R0276, | 32013R0277, | 32013R0278, |
| 32013R0279, | 32013R0327, | 32013R0384, |
| 32013R0385, | 32013R0386, | 32013R0387, |
| 32013R0442, | 32013R0443, | 32013R0535, |
| 32013R0540, | 32013R0615, | 32013R0616, |
| 32013R0641, | 32013R0671, | 32013R0699, |
| 32013R0704, | 32013R0705, | 32013R0706, |
| 32013R0707, | 32013R0708, | 32013R0709, |
| 32013R0710, | 32013R0711, | 32013R0722, |

## Medium-term priorities

The process of harmonisation of the customs legislation with the *acquis* will continue. It is planned to adopt a new Customs Law harmonised with the Customs Law of the Union, as well as an appropriate Decree on implementation of the Customs Law and operational guidelines for its implementation.

Regarding the Protocol for Elimination of Illicit Trade in Tobacco Products (within the WHO Framework Convention on Tobacco Control), the established WG has prepared a GAP analysis and a draft Action Plan for ratification and implementation. An analysis is also made of the existing legal framework in order to determine the

need to amend some of the laws for successful implementation of the Protocol after its ratification. Upon completion of this analysis and after the information is submitted by the competent institutions, the Ministry of Health, in cooperation with the Ministry of Foreign Affairs, will define the deadlines and the procedure for ratification of the Protocol.

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| 32013R0728, | 32013R0729, | 32013R0766, |
| 32013R0863, | 32013R1212, | 32013R1156, |
| 32013R1405, | 32014R0111, | 32014R0112, |
| 32014R0114, | 32014R0115, | 32014R0197, |
| 32014R0198, | 32014R0199, | 32014R0310, |
| 32014R0311, | 32014R0336, | 32014R0337, |
| 32014R0349, | 32014R0350, | 32014R0453, |
| 32014R0455, | 32014R0456, | 32014R0457, |
| 32014R0458, | 32014R0459, | 32014R0550, |
| 32014R0646, | 32014R0647, | 32014R0757, |
| 32014R0758, | 32014R0759, | 32014R0760, |
| 32014R0761, | 32014R0764, | 32014R0765, |
| 32014R0766, | 32014R0767, | 32014R0858, |
| 32014R0859, | 32014R0860, | 32014R0873, |
| 32014R0874, | 32014R0875, | 32014R0877, |
| 32014R0972, | 32014R0973, | 32014R1034, |
| 32014R1035, | 32014R1036, | 32014R1037, |
| 32014R1038, | 32014R1213, | 32014R1214, |
| 32014R1215, | 32014R1216, | 32014R1217, |
| 32015R0020, | 32015R0021, | 32015R0022, |
| 32015R0023, | 32015R0181, | 32015R0184, |
| 32015R0185, | 32015R0221, | 32015R0352, |
| 32015R0386, | 32015R0387, | 32015R0388, |
| 32015R0676, | 32015R0677, | 32015R0712, |
| 32015R0803, | 32015R0804, | 32015R0805, |
| 32015R1384, | 32015R1385, | 32015R1721, |
| 32015R1722, | 32015R1723, | 32015R1785, |
| 32015R1799, | 32015R1800, | 32015R2253, |
| 32015R2254, | 32015R2255, | 32015R2315, |
| 32015R2316, | 32015R2317, | 32015R2318, |
| 32015R2319, | 32015R2320, | 32015R2321, |
| 32015R2351, | 32015R2455, | 32016R0137, |
| 32016R0283, | 32016R0302, | 32016R0613, |
| 32016R0614, | 32016R0615, | 32016R0663, |
| 32016R0664, | 32016R0665, | 32016R0666, |
| 32016R0933, | 32016R0934, | 32016R0935, |
| 32016R0936, | 32016R0996, | 32016R1140, |
| 32016R1211, | 32016R1320, | 32016R1321, |
| 32016R1354, | 32016R1645, | 32016R1758, |

# ADMINISTRATIVE AND OPERATIONAL CAPACITY

## Current situation

- An upgraded version of the Single Window system for licenses for import, export and transit of goods (EXIM) has been put into production, in which positions, that is, ordinal numbers for all items in the licenses have been introduced, and it was made possible to use the approved quantities per positions.
- The NCTS system is currently operating properly and a tool for monitoring of its functioning and a module for monitoring of movement of excise goods have been developed. A national plan for implementation of the NCTS phase 5 has been prepared and submitted to DGTAXUD. Intensive work is being done on the tender documentation for NCTS phase 5.
- The ITO system is functional and works without problems. Support is provided for maintenance and development of the system by an external company until February 2021.
- Maintenance agreements have been signed for both the NCTS and the ITO systems, which ensure maintenance, upgrade and business continuity of all customs IT systems.
- Fifteen companies have received approval for authorised economic operator (OEO). The Customs Administration is intensively promoting this programme among the economic operators.

In 2020, the Customs Administration chaired the CEFTA subcommittee on customs and origin of goods. The main priorities of the Macedonian presidency of the CEFTA subcommittee were the following:

- further facilitation of trade in goods;
  - greater integration of the CEFTA market with the EU market; and
  - promoting e-commerce and paperless customs
- An informal regional meeting of the Directors of the

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32016R1759, 32016R1760, 32016R1761,  
 32016R1957, 32016R1958, 32016R1962,  
 32016R2033, 32016R2221, 32016R2223,  
 32016R2224, 32016R2225, 32017R0181,  
 32017R0182, 32017R0183, 32017R0200,  
 32017R0209, 32017R0226, 32017R0268,  
 32017R0285, 32017R0635, 32017R01636,  
 32017R0960, 32017R1166, 32017R1167,  
 32017R1168, 32017R1169, 32017R1170,  
 32017R1233, 32017R1234, 32017R1267,  
 32017R1268, 32017R1465, 32017R1476,  
 3201R71971, 32017R1983, 32017R2157,  
 32017R2244, 32017R2245, 32017R2246,  
 32017R2247, 32017R2248, 32018R0077,  
 32018R0081, 32018R0220, 32018R0267,  
 32018R0407, 32018R0553, 32018R0603,  
 32018R0787, 32018R0837, 32018R0838,  
 32018R1207, 32018R1208, 32018R1209,  
 32018R1243, 32018R1489, 32018R1530,  
 32018R1531, 32018R1785, 32018R1864,  
 32018R2041, 32019R0321, 32019R0612,  
 32019R0613, 32019R0643, 32019R0644,  
 32019R0645, 32019R0646, 32019R0647,  
 32019R0705, 32019R0822, 32019R0823,  
 32019R0830, 32019R0921, 32019R0922,  
 32019R0923, 32019R0924, 32019R0925,  
 32019R0926, 32019R0927, 32019R0928,  
 32019R1082, 32019R1404, 32019R1661,  
 32019R1811, 32019R1812, 32020R0186,  
 32020R0191, 32020P0516, 32020K0517,  
 32020P0524, 32020P0622, 32020P0693,  
 32020P0724, 32020P0725, 32020P0868,  
 32020B0956, 32020P0957 and 32020P0958

customs administrations of the Western Balkans was held, the main purpose of which was to prepare a joint approach of the customs services from the region, in order to promote economic cooperation and address the problems faced by the Western Balkans, by accepting the idea for the creation of a regional economic area and EU funds to support the infrastructure in these countries.

- A meeting was held via video conference of the experts - representatives from the CEFTA members, the CEFTA Secretariat, the Regional Cooperation Council, the Transport Community, the EU Directorate-General for Enlargement and the Directorate-General for Taxation and Customs Union. It was concluded to continuously monitor the situation caused by COVID-19 and to issue adequate measures to facilitate the flow of goods, by acting according to the appropriate priorities at border crossings, especially for the transport of medical supplies and food. The Customs Administration proposed the establishment of a green corridor and priority lanes for transport of food products and medical equipment within CEFTA, but also with EU member states in the region, in order to ensure smooth and rapid flow of these goods.
- The European Commission and the German Federal Ministry for Economic Cooperation and Development marked the launch of a new project "Supporting Regional Economic Integration" for the Western Balkans and the Republic of Moldova. Funded with a total budget of EUR 5.35 million, the project aims to strengthen trade relations and further deepen the economic integration between the CEFTA parties.
- Consultative meeting in order to agree on activities to further facilitate the movement of goods, which will be covered by the following Multiannual Action Plan - Regional Economic Area 2021-2024 (MAP REA 2021-2024), adopted at the Sofia Summit, as part of the Berlin Process for the Western Balkans.
- The Strategic Plan of the Customs Administration for the period 2020-2023 was adopted.
- The Strategy for Integrity and Fight against Corruption in CARNM 2019-2022 was adopted, for the implementation of which an Action Plan was adopted which contains measures with a 2019-2022 timeframe. A Guideline for activities in case of conflict of interest and establishment of a supervision system for prevention of conflict of interest has been adopted, as well as Guidelines for

activities and identification of matters and activities that conflict with the official duty of customs officers. Register of risk points in the customs operations susceptible to corruption is prepared at a quarterly level and a Guide is prepared at a semi-annual level, on the most common mistakes and omissions in the overall operation of the Customs Administration. Both are used as preventive tools in the fight against corruption. A survey was conducted to measure the level of exposure to abuse of office and the occurrence of corrupt activities in the Customs Administration among entities involved in customs procedures, through the Agency for Surveying of Public Opinion, Market and Media, which included 14 customs offices and the headquarters of the Customs Administration. The results and analysis of this research will be used as a basis for creating a policy to prevent corruption and conflict of interest, strengthen integrity and properly identify future concrete activities in the field of fight against corruption. A Procedure for conducting a survey to assess the level of exposure to abuse of office and occurrence of corrupt activities in the Customs Administration has been adopted.

- A New Strategy for the development of the ICT of the Customs Administration has been prepared, for the period 2019-2023. This Strategy provides the roadmap for the development of the ICT systems of the Customs Administration in the next five years, which is in line with the development strategy of the Customs Administration as a whole. The Strategy provides the mission, vision and strategic priorities and objectives of the Customs Administration in the development of ICT, as well as the activities and the necessary resources for their realisation. In the period 2019-2023, the Customs Administration plans to implement several projects in all areas of customs operations. These projects should be IT-supported and should assist the Customs Administration in the timely implementation of the planned activities in order to create adequate administrative capacity and establish interoperability with the EU systems, which are a precondition for the accession of the Republic of North Macedonia to the European Union. The Customs Administration, having in mind the current and forthcoming processes of European integration of the country, defines the projects and activities in the ICT Development Strategy related to the development of the national customs systems, to enable interoperability and interconnection with the European systems for the period until 2025.

- The main document referenced in the ICT Development Strategy is MASP (Multi-Annual Strategic Planning), as an EU document that defines the development of the European customs systems, within the common and national domain, in accordance with the Union Customs Code - UCC).
- In the period January-September 2020, 43 professional trainings of customs officers were conducted with a total of 430 participants. On average, each participant has attended training lasting 8 hours and 26 minutes (2019 - conducted 197 activities with a total of 1,510 participants).
- The Customs Laboratory is preparing documentation for its accreditation in accordance with ISO 17025:2017.
- In the period January - September 2020, the Customs Administration took part in the following international operations:
  - GLOBAL SHIELD (WCO), ECLIPSE IV (SELEC); OPSON IX (INTERPOL and EUROPOL, with private sector support); LAKE 2020 (EUROPOL); COVID - FACT FINDING (INTERPOL); STOP (WCO); (EUROPOL); THUNDER 2020 (INTERPOL and WCO);
  - SHIELD (Safe Health Implementation, Enforcement and Legal Development) (EUROPOL, with support from OLAF, INTERPOL, the private sector and WADA); Joint Action Day South East Europe 2020 (EUROPOL within the EU EMPACT initiative, coordinated from Spain); PANDORA V (EUROPOL, INTERPOL and WCO); DEMETER VI (WCO).
  - The country is applying automated risk management methods and has actively participated in inter-institutional cooperation. The Customs Administration participated in the work of the National Coordination Centre for Organised Crime, the National Coordination Centre for Border Management, as well as the National Committee for Trade Facilitation. Cooperation with other customs authorities in the region continued, including through data exchange and joint operations.
- The Belanovce - Stancic border crossing was put into use, connecting citizens of the neighbouring municipalities in North Macedonia and Kosovo, and is expected to improve business communication and trade. This border crossing was built with funds from the EU (IPA) - EUR



1.2 million and with a national co-funding of 10%. The construction of the road from the village of Slupchane to the border crossing Belanovce (15 km) is financed by the state and costs EUR 6 million.

- At the joint border crossing Tabanovce-Preshevo, a weighing scale for measuring trucks was put into operation, which increased the capacity and accelerated the turnover of goods and shipments. The second lane is priority one, intended for cargo vehicles transiting under T-electronic documents, which transport perishable goods and empty vehicles, and in the future goods from companies that have the status of authorised economic operator.
- The first bilateral meeting was held to discuss the text of the draft agreement on the establishment of joint border crossings between the Republic of Albania and the Republic of North Macedonia and the implementation of future activities for joint border checks, and negotiations are underway for its final harmonisation .
- The UK Customs and Revenue Office (HMRC) has donated to the Customs Administration a new sophisticated handheld scanner for vehicle searching to be used by the mobile teams. It is one of the ways to prevent and detect threats, as well as part of the standard everyday operation work.
- A scanner for control of postal shipments, donated by the US Embassy in the Republic of North Macedonia, has been installed at the Customs Office located in the Post Office in Skopje. It contributes to increased security by detecting shipments containing substances that are prohibited for import into our country; protection of the intellectual property right, as well as other trade policy measures, including acceleration of the procedure that starts with the entering of the consignment in the customs area;

## Short-term priorities

- According to the Strategic Plan (2020 - 2023), the Customs will continue with further Digitalisation of the procedures for import, export and transit of goods, which became completely paperless in 2020. This will significantly improve the services to the economic operators involved in foreign trade operations and will

reduce the costs for performing customs operations, as well as facilitate trade and strengthen and improve border security.

- A special and urgent priority, given that we are a member of the Transit Convention, is to ensure the development and implementation of NCTS 5 within the deadlines set at the EU level.
- The Single Window concept will be introduced at the border with Albania, at the Kjafasan border crossing point.
- In 2021, the customs laboratory will be accredited in accordance with ISO 17025 standards, which means modernisation of the laboratory, adoption of a Quality Manual and provision of the necessary training in accordance with ISO (internal control, interlaboratory tests, etc.).
- In 2020/2021, services will be implemented following the plan for adaptive maintenance in order to improve the functionalities of CDEDPS (Customs Declarations and Excise Document Processing System), NCTS (New Computerised Transit System), EXIM and ITE (Integrated Tariff Environment).
- In 2021, the application of the communication node CCN/CSI (Common Communication Network/ Common System Interface), established in 2015 for the purpose of connection with the European systems, will continue through the CUSTOMS 2020 programme.
- In 2021, a Disaster Recovery Centre will be put into operation, which will ensure business continuity of the Customs Administration in a state of crisis, by creating a reliable computer data centre at a remote location.
- In 2021, sophisticated equipment and vehicles for transport of customs dogs will be procured, to increase the number of inspections carried out by the Sector for Control and Investigations within the Project on Improving the quality of customs controls and combating fraud and illicit trade in goods, which is part of the Programme for Public Finance Management, within IPA2.
- In 2021, the Project on Development of border infrastructure between the Republic of North Macedonia and the Republic of Greece will be implemented (IPA Cross-Border Cooperation Programme 2014-2020).

Implementation of the following customs (IT) systems at the national level is planned by the end of 2021:

- UCC Customs Decisions system, compliant with UCC - National Development, including implementation of electronic signature; Specification analysis and UCC compliance.
- National Compulsory Tariff Information System (UCC BTI), compliant with UCC Specification and compliance with UCC.
- Reference Data Management System (CS/RD2), compliant with UCC - Development within CDEDPS.
- The cooperation with international services and institutions will be continuously strengthened, through the realisation of bilateral meetings, exchange of information and joint participation in actions.

## Medium-term priorities

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Continuous and timely conclusion of contracts for maintenance of the customs (IT) systems, which will ensure their maintenance, upgrade and business continuity.

Implementation of the following customs (IT) systems is planned by the end of 2023:

- UCC Transit System including NCTS (F5 and F6), UCC compliant - Preparation of technical specifications; Preparation of tender fiche documents for the use of EU (IPA) funds; Project implementation.
- National system for Single Window environment for customs, compliant with UCC - Analysis of Certificates and European specifications; Preparation of development specifications; Project implementation.
- UCC Economic Operators Registration and Identification subsystem 2 (EORI2), compliant with UCC - Preparation of specifications (EORI2 system, G2B services and Merchant Portal); Project implementation.
- UCC Uniform user management & digital signatures - UUM&DS (Direct Trader Access to EIS) compliant with UCC - Analysis of specifications and compliance with UCC; Preparation of specifications (national requirements);

Implementation of the project at the national level.

- Implementation of data warehouse and reporting application (Business intelligence Data warehouse) - Preparation of specifications; Project implementation.
- Control and Investigation System - Preparation of specifications, Signing of an agreement by the end of 2021; Project implementation.

Further steps are planned in the period 2023-2025 for additional development and full implementation of the systems:

- UCC Customs Decisions system, UCC compliant - Additional national development according to UCC compliance analysis.
- National Compulsory Tariff Information System (UCC BTI), compliant with UCC - Additional national development of sublimated services in a single project: eBTI, surveillance 2 and surveillance 3.
- UCC Automated Export System (AES), compliant with UCC - National Development according to UCC specification analysis and compliance.
- UCC Economic Operators Registration and Identification subsystem 2 (EORI2), compliant with UCC - Extended implementation of EORI in terms of G2B services and Merchant Portal.
- National e-Commerce System & CP 42/63, compliant with UCC - Development and implementation within CDEDPS.
- UCC Import Control System 2 (ICS2)) - Development and implementation within CDEDPS.
- National Surveillance System 3, compliant with UCC - Preparation of specifications; Development decision and Additional national development.
- National System for Notification of Arrival, Presentation Notification and Temporary Storage, compliant with UCC - Specification analysis; Decision for new development.
- Guarantee Management (GUM), compliant with UCC - Project development and implementation.
- UCC Special Procedures System, compliant with UCC - Specification analysis and UCC compliance; Preparation of specifications (national requirements); Development decision.
- Implementation of changes in the import system

(adjustments of existing import applications) in accordance with UCC - Implementation of the project within CDEDPS.

- Implementation of the new CCN2 architecture - Project implementation.
  - UCC Uniform user management & digital signatures - UUM&DS (Direct Trader Access to EIS), compliant with UCC - Monitoring and implementation of UCC changes upon decision for further development.
  - UCC Compliant Reference Data Management System (CS/RD2) - Specification Analysis and UCC compliance; Preparation of specifications; Decision for new/ additional development; Project implementation.
  - Changes in the Customs Tariff Management System (ITMS), compliant with UCC - Specification analysis and compliance with UCC; Preparation of specifications; Decision for new/ additional development; Project implementation.
  - Accounting system of A and B accounts - Decision for national development; Project implementation.
  - Intellectual Property Management System (IRP) upgrade - National decision for additional development; Project implementation.
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## Programmes and projects

### Ongoing projects

- A new twinning project funded by IPA 2 started in 2020 - Improving revenue collection and tax and customs policy, which will be implemented through 4 components in the course of 36 months and for which funds are allocated in the amount of EUR 3.5 million. Project beneficiaries are the Ministry of Finance, the Public Revenue Office and the Customs Administration; a Work Plan for implementation of the project activities has been prepared. According to the safety measures, the planned activities were realised online, via Skype Webex events. A total of 12 workshops have been realised so far on various topics. These trainings were attended by participants from the Ministry of Finance,

the Public Revenue Office, the Ministry of Environment and Physical Planning and the Customs Administration.

- Improving the quality of customs controls and combating fraud and illicit trade in goods, this is part of the Programme for Public Finance Management under IPA2.
- Ensuring continuity of business processes in the Customs Administration and data storage through consolidation of ICT systems and establishment of a joint Disaster Recovery Centre, which is part of the Programme for Public Finance Management under IPA2.
- A project was started in cooperation with the USAID for Regional Economic Development, Governance and Enterprise Growth (EDGE) in the amount of USD 100,000, which will include procurement of equipment for the border crossing Kjafasan-Qaftane, a consultant, training and study visits for employees of the Macedonian Customs Administration and the Customs Administration of Albania. In September 2020, an official agreement was signed and the activities are being continuously implemented.
- A project with the Government of South Korea (2020 Customs Modernisation Consulting Project for North Macedonia) was successfully implemented. This project supported the capacity building of the Macedonian Customs Administration, especially in the area of fast shipments, detection of illegal financial flows, as well as risk analysis in e-commerce. The purpose of this project was to strengthen the capacities of the Customs Administration through its modernisation. The representatives of the South Korean Customs also expressed a desire for future cooperation and support of the Customs Administration with a proposal for new projects financed by them.
- A project supported by the World Bank has been launched, which will ensure the development of a new improved one-stop-shop system and infrastructural improvement of the Kjafasan and Deve Bair border crossings. The Customs Administration prepared project programmes for the two border crossings which included the needs as an end-user, in order to improve

the working conditions. Representatives of the project implementation unit and the Customs Administration visited the border crossings.

- The Customs Administration actively participates in the Union Programme - Customs 2020. In March 2020, the new Grant Agreement for 2020 was signed, for the fiscal year 2020 (1 April 2020 – 31 March 2021).
  - The Project on Development of border infrastructure between the Republic of North Macedonia and the Republic of Greece is underway (IPA Programme for cross-border cooperation between the Republic of North Macedonia and the Republic of Greece 2014-2020), within the framework of which traffic light signalisation at the border crossing points Bogorodica and Dojran was installed.
  - The Project on New opportunities for safe winter adventure tourism has been launched, which is directly supported by the European Union through the programme for cross-border cooperation with the Republic of Albania. The Customs Administration, as the institution responsible for the movement of goods across the state border, establishes cooperation for coordination between all the entities participating in the mountain rescue system and access to difficult-to-reach terrains.
  - The project Support to Regional Economic Integration in the Western Balkans and the Republic of Moldova. (EUR 5.35 million) of the European Commission and the German Federal Ministry for Economic Cooperation and Development was launched, which aims to boost trade relations and further deepen economic integration between the CEFTA Parties. The three-year project, implemented by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, will help to further develop trade facilitation and trade in services under the CEFTA agreement. The project aims to enhance efficiency of supply chains in the region and reduce costs for businesses by improving trade procedures and regulations.
  - The Customs Administration actively uses the TAIEX mechanism for continuous strengthening of its administrative capacities.
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## Planned projects/ needs

For the period 2023-2025, it is planned to harmonise the customs (IT) systems in accordance with MASAP and UCC:

- Implementation of UCC Customs Decisions system), compliant with UCC;
- Implementation of a National Compulsory Tariff Information System (UCC BTI), compliant with UCC;
- Implementation of UCC Automated Export System (AES), compliant with UCC;
- Implementation of UCC Transit System including NCTS (F5 and F6)), compliant with UCC;
- Implementation of a national system for Single Window environment for customs, compliant with UCC;
- Implementation of UCC Economic Operators Registration and Identification subsystem 2 (EORI2), compliant with UCC;
- Implementation of a national system for e-Commerce & CP 42/63, compliant with UCC;
- Implementation of UCC Import Control System 2 (ICS2));
- Implementation of a national system for Surveillance 3, compliant with UCC;
- Implementation of a national system for Notification of Arrival, Presentation Notification and Temporary Storage, compliant with UCC;
- Implementation of a national Guarantee Management (GUM), compliant with UCC;
- Implementation of UCC Special Procedures, compliant with UCC;
- Implementation of the adjustments of the existing import applications, compliant with UCC;
- Implementation of the new CCN2 architecture;
- Implementation of UCC Uniform user management & digital signatures - UUM&DS (Direct Trader Access to EIS), compliant with UCC;
- Implementation of a reference data management system (CS/ RD2), compliant with UCC;
- Implementation of changes in the Customs Tariff

Management System (ITMS), compliant with UCC;

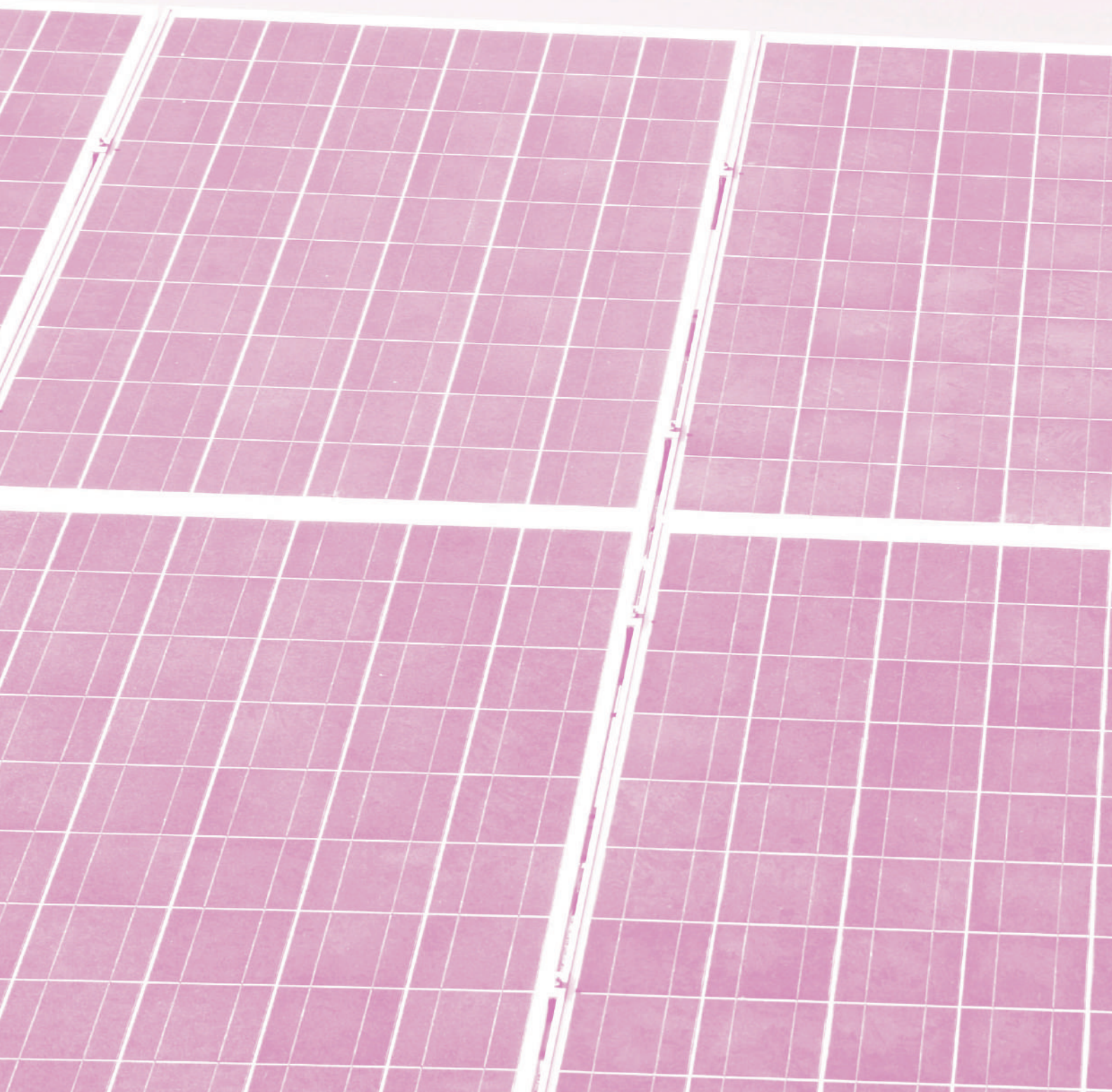
- Implementation of an accounting system for A and B accounts;
- Implementation of application for business intelligence and data warehouse;
- Development of a system for the Sector for Control and Investigation;
- Upgrade of the intellectual property management system (IRP).

**Infrastructure projects - reconstruction of border crossings:**

- Construction of the Markova Noga border crossing point on the border with the Republic of Greece;
  - Reconstruction of the Delchevo border crossing on the border with Bulgaria;
  - Reconstruction of the Deve Bair border crossing on the border with Bulgaria;
  - Reconstruction of the Kjafasan border crossing on the border with Albania.
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The Customs Administration plans to actively participate in the future Programmes of the Union, which will be successors to Customs 2020 and TAIEX, IPA projects, and to realise the planned projects which are financed with a World Bank loan. It is also planned to conduct needs analysis and to realise projects for procurement of control equipment at some of the border crossings, provided through donations.

# CLUSTER 4





# **GREEN AGENDA AND SUSTAINABLE CONNECTIVITY**



**The Green Agenda and Sustainable Connectivity cluster** is a cluster that integrates environmental protection and infrastructure policies with all other policies. The short-term and medium-term priorities are primarily about further harmonisation of the national regulations in the field of environmental protection and the fight against climate change, the transition towards green energy, use of renewable energy sources, energy efficiency, improvement of the road infrastructure in the country, including projects for infrastructural connectivity of the transport and energy facilities with the key corridors in Europe.

The cluster covers Chapters **(14, 15, 21 and 27)**, with long-term strategies, significant investments and harmonisation of legislation in accordance with the requirements of the **Transport and Energy Community**, as well as harmonisation with EU legislation in all areas of environment and climate change. Fundamental reforms continue, in terms of provision of all types of transport, including projects for building road infrastructure, ensuring reliability of supply with all types of energy, modernisation of the energy infrastructure and build of new facilities, harmonisation of the energy laws with the Third Package of the EU legislation, strategies, energy efficiency plans and participation of renewable energy sources. The key transport and energy projects for regional connectivity within the framework of TEN continue.

In the Environment Chapter, in the horizontal part, an Environmental Investment Strategy, a National Environmental Strategy, a Protection and Rescue Strategy, a Climate Strategy, as well as a series of **strategies and plans, listed under each area of the Chapter** will be prepared, harmonised with the objectives enshrined in the EU Green Agenda, and the UN Sustainable Development Agenda 2030.

The **Green Agenda** cluster is directly and **horizontally linked** to all other clusters/ chapters, in terms of harmonisation and integration of the policies of the **economic, social and environmental dimension of sustainable development**, and ensuring **quality of life for future generations**, which is also a goal of the **National Development Strategy (2021-2041)**.

The priorities of the Green Agenda cluster are related to the **strategic priorities** of the Government in terms of accelerated and sustainable economic growth and environmental protection, green development, reduction of air pollution and impact of climate change.

The priorities are also related to the **PER** reforms in the energy and transport market (increasing of the electricity market; renewables; implementation of intelligent transport systems), as well as the Public Investment Plan.

In terms of the Instrument for Pre-Accession Assistance (**IPA-3**), the reforms are linked to WP3 - Green Agenda and Sustainable Connectivity (Environment and Climate Change, Transport, Digital Economy and Energy) and WP5: Territorial and Cross-Border Cooperation.

The **UN Sustainable Development Goals (SDGs)** for provision of affordable and *sustainable energy for all, health, water, safe, resilient and sustainable cities and dwellings, infrastructure; industrialisation and innovation; sustainable use of ecosystems, sustainable forest management, prevention of the land degradation and biodiversity loss, as well as addressing climate change and taking urgent action* – are also addressed through the reforms in this cluster.

In terms of **financial resources** planned, about EUR 360 million from the national Budget and about EUR 1.5 billion from IPA and other donor assistance funds for the next five to ten years (including loans) are envisaged for the reforms in this cluster, as well as for planning of significant long-term investments

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# TRANSPORT POLICY

## Findings and recommendations from the EC Report 2020

The country is **moderately prepared** in the area of transport. **Limited progress** was made in the reporting period but only regarding connectivity. Increased political commitment is still required to deliver on necessary sectoral reforms and more efforts are needed to strengthen the administrative and operational capacity for all modes of transport. There was no progress in completing key sector reforms and the 2019 recommendations remain valid. In the coming year, the country should:

- ▶ strengthen the operational and administrative capacity of the inspection bodies and develop enforcement capacity to reduce fatalities along road and rail infrastructure;
- ▶ implement the connectivity reform measures on rail reform and open the rail transport market, set up a national system to continuously collect data on road crashes, and finalise pending border crossing agreements/protocols;
- ▶ adopt legislation on Intelligent Transport Systems (ITS) and combined transport, and make further efforts to produce a strategic framework for implementing ITS and the core networks.





# ROAD TRANSPORT

## Current situation

### Market access

The Law on Road Transport<sup>91</sup> regulates the conditions and the manner of performing the transport of passengers and goods in the domestic and international road transport. The Law implements several Directives and Regulations of the Council of the European Union, as follows: Regulation 1071/09/EC, Regulation 1072/09, Regulation 1073/09/EC, Directive 2009/40/EC, Directive 2000/30/EC, Directive 84/647/EEC, Regulation 56/83/EEC, Regulation 684/92/EEC, Regulation 881/92/EEC, Regulation 3118/93/EEC, Regulation 792/94/EC, Regulation 3315/94/EC, Regulation 12/98/EC, Regulation 2121/98/EC, Directive 59/03/EC, Directive 94/06/EC.

The Law on Contracts for Transport in Road Transport regulates the relations arising from the contracts for transport of passengers and goods in domestic and international road transport<sup>92</sup>. The Law partially implements the regulation of the Council of the European Union 181/11/EC..

### Road infrastructure

The Law on Public Roads<sup>93</sup> regulates the conditions and the manner of construction, reconstruction, maintenance, protection, use, management, supervision and financing of public roads. The following Directives are implemented in the Law: Directive 62/99/EC, Directive 52/04/EC, Directive 96/09/EC and Directive 96/08/EC (in part).

### Dangerous goods

The transport of hazardous substances is regulated by the Law on Transport of Dangerous Goods in Road and Rail Transport<sup>94</sup>, which regulates the conditions and the manner of performing transport of dangerous goods in the domestic and international road and rail transport, the conditions to be met by the packaging and the means of transport, the duties of the persons participating in the transport of dangerous goods, appointment of a safety advisor, training of persons participating in the transport of dangerous goods, competencies of state bodies and oversight over the enforcement

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91 Official Gazette No. 68/04, 127/06, 114/09, 83/10, 140/10, 17/11, 53/11, 6/12, 23/13, 120/13, 42/14, 112/14, 166/14, 44/15, 97/15, 124/15 and 129/15 193/15 37/16, 71/16, 140/18, 64/18, 163/18 and 257/19.

92 Official Gazette No. 23/13.

93 Official Gazette No. 84/2008; 52/2009; 114/2009; 124/2010; 23/2011; 53/2011; 44/2012; 168/2012; 163/2013; 187/2013; 39/2014; 42/2014; 166/2014; 44/2015; 116/2015 and 150/2015.

94 Official Gazette No. 92/07, 161/09, 17/11, 54/11, 13/13, 163/13, 38/14, 166/14, 116/15, 193/15 and 31/16.



of the Law. The following measures from the EU legislation are implemented in the Law: Directive 94/55/EC, Directive 2000/61/EC, Directive 2001/7/EC, Directive 95/50/EC, Directive 2001/26/EC, Directive 2004/112/EC, Directive 1996/35/EC, Directive 2000/18/EC, Directive 98/91/EC, Directive 96/49/EC, Directive 2006/90/EC. Part of Directive 94/63/EC concerning specifications for tank vehicles has been transposed in the Law on Transport of Dangerous Goods in Road and Rail Transport. The Law also envisages implementation of the provisions from the ADR Agreement, which is continuously revised in accordance with the latest EU legislation, which means that the national legislation is continuously harmonised with the EU legislation.

## Safety issues

The Law on Road Transport Safety<sup>95</sup> sets out the measures for road safety and protection, the basic principles and mutual relations of the participants and other subjects in the road transport, the rules of the road transport, the traffic signs and the equipment on the roads, the duties in case of traffic accident, the special safety measures and other issues. The following measures of the EU legislation are implemented in the Law: 671/91EC and 126/06EC.

The Second National Road Safety Strategy 2015-2020 is still valid in the area of road transport safety.

The Law on Vehicles<sup>96</sup> regulates the examination of vehicles and the technical inspection of vehicles. All bylaws regarding this Law have been adopted. The Law implements the following measures of the EU legislation: 37/99/EC, 38/07EC, 7/02/EC, 46/07, 37/03EC, 53/96EC.

The Law on Working Hours, Mandatory Rests for Mobile Workers and on Devices for Registration in Road Traffic<sup>97</sup> regulates the introduction of digital tachographs in vehicles. The Law implements in full all European measures that regulate this issue (driving time and time for rest of the drivers), as follows: Regulation 3821/85/EEC, Regulation 561/2006/EC, Directive 2006/22/EC (in part), Directive 2002/15/EC.

**Technical assistance for the establishment of an Executive Body for road transport safety** - The Government has adopted a conclusion for setting up a working group that will work on the establishment of an Executive Body that will have the responsibility to improve road safety in the country. Using assistance provided through the EUIF facility, the Ministry of Transport and Communications will receive technical (expert) support for the establishment of an Executive Body for road safety. The results of this project will serve as basis

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95 Official Gazette No. 169/15.

96 Official Gazette No. 140/08, 53/11, 123/12 and 70/13.

97 Official Gazette No. 140/18.

for establishing an Executive Body for successful and sustainable management of road safety in the country.

## Institutional framework

Competent bodies for implementation of activities related to the transport of passengers and goods in the domestic and international road transport are the Ministry of Transport and Communications, the State Transport Inspectorate, the Ministry of Finance - Customs Administration and the local self-government units.

In the **Ministry of Transport and Communications**, there are three units within the Sector for Road Transport and Infrastructure regarding road transportation of passengers and goods. The work in this area is performed by the following:

- Unit for Freight Transport - seven persons with higher education and four persons with secondary education.
- Unit for passenger transport - four persons with higher education and two persons with secondary education.
- Unit for transport of dangerous goods - two people with higher education and one with secondary education.

In the **Sector for Road Traffic and Infrastructure**, certificates for professional competence of managers of the transport companies and certificates for participation of drivers in international road traffic were continuously issued during 2020 as well following the provisions of the Law on Road Transport, while the companies performing certain types of road transport were issued licenses for transport of goods in road transport, as well as licenses for road transport of passengers. A detailed overview of the number of issued certificates and licenses is provided in the quarterly reports on the implementation of the NPAA activities for 2020. The issuance of certificates for drivers for transport of dangerous goods and safety advisors for transport of dangerous goods continued also in 2020.

The **Ministry of Transport and Communications** is the competent institution for the preparation of legal acts arising from the Law on Public Roads, and institutions competent for implementation of the Law on Public Roads are the Public Enterprise for State Roads and the local self-government units (local roads and streets). Within the Ministry of Transport and Communications, the Unit for Road Infrastructure in the Sector for Road Transport and Infrastructure is in charge of the road infrastructure. The Unit employs two people with higher education.

The **Ministry of Interior** is a competent body for the implementation of activities related to safety and control of road transport. Competent structures in the Ministry of Interior that take care of road transport safety are the Sector for Transport Affairs; the police stations and the police units for road safety.

The **State Transport Inspectorate** supervises the implementation of the regulations arising from the Law on Road Transport, the Law on Transport of Dangerous Goods in Road and Rail transport, the Law on Cable-cars and Ski Lifts, the Law on Public Roads and the Law on Working Hours, Mandatory Rests for Mobile Workers and Drivers in Road Transport and on Devices for Registration in the Road Transport, the international treaties and agreements ratified by the Parliament, bylaws, annual work programme and other ongoing activities.

## Short-term priorities

### ACCESS TO THE COMMON TRANSPORT MARKET

To fully regulate the relations in the road transport with the European countries, it is planned to continue the activities for concluding agreements for international transport of passengers and goods with countries with which North Macedonia has not yet concluded such agreement.

In 2021, amendments to the Law on Road Transport will be made in order to transpose the provisions from Directive 2006/0001, which refers to the rental of vehicles for road transport of goods.

The Directive 2004/54/EC on the minimum safety requirements for tunnels in the Trans-European Road Network will be implemented in the Law on Public Roads in 2021

## Medium-term priorities

### ACCESS TO THE COMMON TRANSPORT MARKET

In order to fully regulate the relations in the road transport with the countries of Europe, the activities for concluding agreements for international transport of passengers and goods with countries with which the Government has not yet concluded an agreement will continue, as follows:

- Agreement on international road transport with the Kingdom of Sweden, by 31 December 2023

- Agreement on international road transport with the Republic of Finland, by 31 December 2023
- Agreement on international road transport with the Republic of Portugal, by 31 December 2023
- Agreement on international road transport with the Republic of Ireland, by 31 December 2024

It is planned to adopt regulations in the national legislation related to Intelligent Transport System. The Western Balkans Trade and Transport Facilitation Project (WBTTFP), funded by the World Bank, envisage the establishment of Intelligent Transport Systems (ITS) along Corridor 10. This Project provides technical assistance that will enable transposition of Directive 2010/40 on Intelligent Transport Systems and the Action Plan for Implementation of the ITS Directive (EC 2011/289) in the national legislation. In terms of legislation, this Project envisages technical assistance for implementation of the EU ITS Directives and strategy for maintenance of the ITS equipment. A possibility exists to include one additional activity –preparation of a National Strategy for setting up ITS. More details about this project are provided in Chapter 21.

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# RAIL TRANSPORT

## Current situation 2020

Every three years, the Government adopts a Decision on determining the obligation for public service in the rail transport of passengers. The most recent Decision was published in the Official Gazette No. 277 from 29 December 2019 and covers the period 2020-2022, on the basis of which the Minister of Transport and Communications, signed an agreement on behalf of the Government, to provide public services with the director of Macedonian Railways Transport AD, as a railway company. The most recent agreement between the Ministry and the Macedonian Railways Transport AD, as a railway company, was signed on 2 January 2020, for the period 2020-2022. The methodology for calculation of the remuneration is prescribed in Article 120 of the Law on Railway System, and the agreement prescribes exactly what type of costs are subject to such remuneration, for example: remuneration for use of the rail infrastructure, energy, maintenance and part of the staff (costs for conductors and ticket offices). Based on the calculation provided by the railway carrier, certain funds are allocated in the Budget of the Ministry of Transport and Communications every year, and every month the railway carrier submits a written request with supporting documents and calculations for the transfer of funds intended for PSO to a special earmarked account opened for this purpose. There are no private railway companies in the country. With the latest amendments to the Law on Railway System, a private domestic or foreign legal entity can perform public rail transport of passengers and goods in accordance with the provisions of the Law after the accession of North Macedonia to the European Union.

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98 Official Gazette No. 8/2021 from 12 January 2021

The annual programme for the financing of the railway infrastructure for 2021<sup>98</sup> amounts to MKD 360 million or EUR 5.85 million.

The investigative body for conducting investigations in railway accidents is not operational yet. The current Law on Railway System Safety stipulates that the Government will establish a Committee for Investigation of Serious Accidents, Accidents and Incidents of the Railway Systems, as an independent legal entity. The Committee will consist of 3 investigators, one of whom is appointed as chief (responsible) investigator. It is envisaged that the funds for the work of this Committee will be provided from the state Budget.

At the Third Council of Ministers, within the framework of the Agreement establishing the Transport Community (ATC), held on 26 October 2020, the Ministers of the Western Balkans approved the following: the Railway Action Plan, the Road Action Plan, the



Transport Facilitation Action Plan and the Road Safety Plan, after an Information on the approval of the Action Plans has been submitted and reviewed (these Action Plans arise from the work of the technical committees established within the ATC).

At the session held on 21 January 2021, the Government adopted the Decision on giving consent to the investment programme for the period 2021-2023 and the Financial Programme for 2021 of the PE for Railway Infrastructure "Railways of the Republic of North Macedonia" - (Official Gazette 10/2021 from 13 January 2021).

The Agency for Regulation of the Railway Sector (LRA) continues to operate as a regulatory body in the field of railway transport. During 2020, in accordance with the legal competencies, control of the quality of the services provided by the railway carrier during the COVID-19 health crisis was performed. The control was carried out by surveying rail transport users in the trains and at the stations. The results of the control will be part of the Annual Report of the Agency.

The Directorate for Safety in the Railway System (DSRS) in 2020 issued several acts within its competence:

- Three Resolutions for First Certificate for Electric Locomotive
- One Certificate of Safety – Part A
- One Decision for renewal of training authorisation
- One Decision for renewal of examiner authorisation
- One Decision for trainer authorisation
- One Decision for examiner authorisation
- Four Decisions for issuing a licence for locomotive driver
- In terms of inspection supervision, four inspection supervisions were carried out

Following the allocation of Budget funds, the General Secretariat of the Government of the Republic of North Macedonia announced a public call in January 2020 for the appointment of three investigators of the Committee for Serious Accidents, Accidents and Incidents on the Railway System, one of whom will be appointed as chief (responsible) investigator, but the call failed in the realisation.

## Institutional framework

- **Ministry of Transport and Communications** – The Sector for Railways is responsible for implementing the railway development policy. According to the Rulebook on the organisation and jobs, the Sector has two units: Railway Unit for Rail Infrastructure and Unit for Rail Transport.

The Sector employs a total of 10 civil servants, including the Head of the Sector.

- **Agency for Regulation of the Railway Sector - EARS (Regulatory body):** The Agency has 2 employees and a Director. There were no recruitments in 2020.
- **Directorate for Safety in the Railway System - DSRS (Safety Directorate):** This Directorate is a body within the Ministry of Transport and Communications entrusted with tasks related to rail safety in accordance with the law, in order to ensure a unified safety regime for specialised cross-border infrastructures. The Directorate has 2 Sectors: Sector for Safety in the Railway System, which includes a Unit for Assessment of Safety in the Railway System and a Unit for Licensing; and Sector for Inspection Supervision in the Railway System, which includes the Unit for Inspection Supervision of the Railway Infrastructure Safety and the Unit for Inspection Supervision of the Railway Transport Safety. The Directorate employs 10 civil servants, including the Director.
- **Committee for Investigation of Serious Accidents, Accidents and Incidents (Investigation Body):** The Committee is expected to be composed of three investigators, one of whom will be the chief (responsible) investigator and will be established by the General Secretariat of the Government. The body is still not operational, due to a failed attempt to select and appoint investigators.

## Short-term priorities

### Legal framework

By mid-2021, the Assembly should adopt the new Law on the Railway System, the **Law on Railway Safety and the Law on Interoperability in the Railway System**, harmonised with the Fourth Package of Directives of the European Union, and the bylaws that will create conditions for opening the market of railway services to be adopted by the end of 2022. These three laws are aimed at opening up the market for railway services.

Conclusion of a multi-year agreement between the Government, represented by the Ministry of Transport and Communications, and the Public Enterprise for Railway Infrastructure, as a management body in the maintenance of the railway infrastructure and in

charge of management, organisation and regulation of the railway transport.

At the proposal of the Public Enterprise for Railway Infrastructure, the Government will adopt a Plan for maintenance of the railway infrastructure for a period of five years.

Intensive communication will continue in 2021 with the line Ministry of the Republic of Greece, to harmonise the text of the Agreement on Border Regulation of the Railway Transport for the Gevgelija-Idomeni border crossing and the Agreement on Border Regulation of the Railway Transport for the Kremenica-Messonison border crossing.

In the period 2021-2022, the Directorate for Safety in the Railway System (DSRS) will intensify the inspection controls within its competencies and will also intensify the coordination work on the connection of the virtual register of rolling stock that will be established by the European Union Agency for Railways.

The Committee to Investigating Serious Accidents, Accidents and Incidents will become fully operational through its full staffing.

## Institutional framework

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In the period 2021-2022, the capacities of the Ministry of Transport and Communications will be strengthened with 3 new employments that will work on harmonisation of the legislation and on projects realised with international funds. It is planned to provide technical equipment and organisation of trainings for the employees for the purpose of timely, quality and efficient realisation of the necessary railway reforms.

According to the Annual Work Plan for 2021 of the Agency for Regulation of the Railway Sector, it is planned to recruit two new employees in the Agency.

In the period 2021-2022, additional staffing for the Directorate for Safety in the Railway System is required, with the employment of 2 inspectors - one as an advisor in the Unit for Inspection Supervision of the Railway Infrastructure Safety, and the other as an advisor in the Unit for Inspection Supervision of the Railway Transport Safety. It is also necessary to appoint a Head of the Sector for Inspection Supervision in the Railway System and to employ Heads for all other units: Unit for Safety Assessment in the Railway System, Unit for Licensing, Unit for Inspection Supervision of Safety of the Railway Infrastructure and the Unit for Inspection Supervision of Safety of the Railway Transport.

## Medium-term priorities

### Legal framework

In accordance with the Treaty establishing the Transport Community, the harmonisation of domestic legislation with the legislation of the European Union will continue.

The Directorate for Safety in the Railway System, in cooperation with the European Union Agency for Railways, OTIF and other European safety authorities, will work on ensuring interoperability and safety in the railway system and will actively participate in the adoption of regulations in the field of railway system safety.

- **Committee for Investigation of Serious Accidents, Accidents and Incidents (Investigation Body):** Work of the Committee, in accordance with its legal competencies.

### Institutional framework

It is necessary to separate the Directorate for Safety in the Railway System as an independent legal entity, unfettered from other railway carriers and infrastructure managers and to strengthen it with qualified staff in order to become a key factor in ensuring safety in the railway system.

A Committee for Investigation of Serious Accidents, Accidents and Incidents (Investigation Body) will be established. It will be technically equipped, and trainings for the employees will be organised.

# INLAND WATERWAY TRANSPORT

## Current situation

In the area of inland waterway transport, **maritime transport** is being partially addressed. Despite being landlocked, the country is still part of all basic transport conventions of the International Maritime Organisation.

In this area, the relevant EU legislation has been transposed, with some exceptions. The Port Authority of Ohrid is the institution responsible for inland waterways. The country actively participates in the International Commission of the Sava river basin but is not yet part of the EU Strategy for the Development of the Danube Region.

The country has signed the main international agreements on inland waterways, as well as several bilateral agreements with the neighbouring countries.

## Legal framework

Due to the changes in the number of vessels and the capacity of passengers thereon, and the increased volume of navigation on the inland waterways, amendments to the **Law on Inland Navigation** were envisaged, but after the new assessment carried out by the recognised association for classification of vessels, a decision was adopted to reduce the number of passengers on vessels for commercial purposes or transport of passengers. Given that there are no ships in the Republic of North Macedonia sailing on initially marked or designated waterways or connected lines (Directive (EU) 2016/1629 Item 1, Article 24, Paragraph a), a decision was made, following the example of other European Union Member States, to postpone the implementation of the Directive.

A **new draft Law on Inland Navigation** has been prepared in order to achieve partial harmonisation with the following directives:

- Council Directive 96/75/EC of 19 November 1996 on the systems of chartering and pricing in national and international inland waterway transport in the Community;
- Council Regulation 1356/96/EC of 8 July 1996 on common rules applicable to the transport of goods or passengers by inland waterway between Member States with a view to establishing freedom to provide such transport services

- Council Regulation 3921/91/EEC of 16 December 1991 laying down the conditions under which non-resident carriers may transport goods or passengers by inland waterway within a Member State, and
- Directive 2017/2397 Directive (EU) 2017/2397 of the European Parliament and of the Council of 12 December 2017 on the recognition of professional qualifications in inland navigation and repealing Council Directives 91/672/EEC and 96/50/EC.

The Law will also regulate: the manner of selection of a recognised classification association to perform works in order to determine the ability of the ship to sail, the manner of using the ports, their maintenance, equipping and marking; the manner of determining competencies in the area of beach management; measurement of alcohol level at the vessel operators and procedure for licensing of boats for commercial purposes.

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#### **NAVIGATION SAFETY**

To improve the conditions of the navigable roads and inland water ports, and to regulate navigation and achieve safe and uninterrupted navigation, floating signalisation and signs for regulating navigation were installed in the Ohrid Lake during 2020.

#### **SUPERVISION OVER THE LEGALITY OF THE IMPLEMENTATION OF THE LAW ON INLAND NAVIGATION**

Pursuant to the Annual Plan for Supervision of the Legality of the Implementation of the Law on Inland Navigation for 2020 and the Operational Plan for its implementation, the internal navigation safety inspectors at the Port Authority (Kapetanija) – Ohrid carried out regular checks on the navigation ability of the vessels, the number, composition and professional competence of the crew members of the vessels, the transport of passengers in terms of protection of human life and property and protection from pollution from the vessels.

The scope of the control depends on the volume and type of navigation that takes place on the inland waters of the country (for sports and recreation and for passenger transport).



## Institutional framework

The Ministry of Transport and Communications, that is, the Port Authority (Kapetanija) - Ohrid, is responsible for implementing the policy for development of inland water transport and achieving navigation safety. According to the Rulebook on organisation and jobs, there are two units in the Port Authority –Inland Navigation Unit and Unit for Logistics Support. The Port Authority employs a total of 19 civil servants, including the captain of the Authority.

## Short-term priorities

According to the Work Programme of the Government, to improve the conditions of the navigable roads and inland water ports and to regulate the navigation in order to achieve safe and uninterrupted navigation, the following activities are planned in the period 2020-2021:

- Installation of GPS devices on water scooters and their monitoring;
- Deepening and cleaning of sediments at the bottom of the entrance of the Studenchishta channel;
- Deepening and cleaning of sediments at the bottom of the ports in Ohrid and St. Naum;
- Installation of signalisation and signs for regulating the navigation at the Prespa and Dojran Lakes;
- Ongoing maintenance of the signalisation and signs for regulating the navigation at the Ohrid Lake;
- Supplementation of the existing signalisation due to obsolescence and damage at the Ohrid Lake;
- Preparation of annual programme and quarterly and monthly work plans of the inspection service.

Full harmonisation with Directive 91/672/EEC of 16 December 1991 on the reciprocal recognition of national boatmasters' certificates for the carriage of goods and passengers by inland waterway, in the Rulebook on the titles of a crew member, special conditions for obtaining certain types of titles, the activities that a ship crew member of a certain type of title can perform, the manner, procedure and programme for taking the exam for receiving a certificate for obtaining a certain type of title, the form and content of the passed exam certificate and of the certificate for the acquired title of a crew member of a ship.

Continuous monitoring and harmonisation with the European legislation in the field of inland water transport, in order to achieve harmonisation of the Law on Inland Navigation and of the bylaws



according to the needs of the country and the natural potential for use of this resource.

## Institutional framework

Trainings according to the needs of the staff are planned for 2021, depending on the available financial resources.

## Medium-term priorities

During 2023 - 2025, the amendments and adoption of new directives of the European Union will be monitored, which will be harmonised with the existing legal framework of the country in the field of inland water traffic. At the same time, procurement of vessels for the Port Authority is foreseen, as well as procurement of a ship for cleaning of the Lake Bottom as well as maintenance of the vessels.



# COMBINED TRANSPORT

THE PROCESS OF HARMONISATION WITH THE EU LEGISLATION IN THE FIELD OF COMBINED TRANSPORT IS AN ONGOING ACTIVITY. ACCORDING TO THE PLAN, IT IS NECESSARY TO ESTABLISH AN ORGANISATIONAL UNIT WITHIN THE SECTOR FOR RAILWAY TRANSPORT, WHICH WILL BE IN CHARGE OF THE COMBINED TRANSPORT. A PROCEDURE FOR THE SELECTION OF A CONSULTANT FOR THE PREPARATION OF PROJECT DOCUMENTATION HAS BEEN INITIATED FOR THE SELECTED LOCATION FOR ESTABLISHING A MULTIMODAL NODE NEAR SKOPJE.

## Current situation

The National Transport Strategy 2018 - 2030 (adopted on 25 December 2018), envisages the creation of conditions for transport of passengers and goods with two or more types of transport, that is, the creation of a multimodal transport network. The first annual report on the implementation of the National Transport Strategy 2018-2030 covers the progress for the period January 2018 - December 2019 and it was adopted on 17 November 2020, in order to measure the progress achieved so far in meeting the objectives, to identify the challenges and issues that need to be thoroughly analysed and to propose resolving solutions in the Plan for Implementation of the Strategy. A Plan for the implementation of the Strategy is expected to be developed during 2021, supported by EU funds. More specifically, this Strategy sets the General Objective 3: Introduction of green mobility and logistics focused on the environmental effectiveness of the transport sector. Within this general objective, two specific objectives have been identified that give the direction of implementation of the combined transport as part of the transport policy in the future period, as follows: Specific objective 3.2: "Stimulate the shift from one type of transport to another" where the need to establish a Multimodal node to physically enable the change is inevitably determined. Specific Objective 3.3 has also been identified: "To increase the importance of the intermodal and multimodal transport in national transport policy". This special objective directly determines the future directions for the implementation of this area.

Multimodality of passenger transport is also provided at both airports in Skopje and Ohrid. The airport in Skopje is close to the Corridor X (A1) and Corridor VIII (A2) highway and has serious potential to become an important logistics and transport crossroad,

not only for the country but for the entire Balkan region as well. The Ohrid airport is mainly oriented towards tourism and has a road connection with the south-western part of Corridor VIII (A2), close to the border with Albania. The route of a new planned railway along Corridor VIII passes close to the airport in Ohrid and it would be possible to connect the airport with the future railway.

The implementation of the project for preparation of project documentation and future project for perspective development and functioning of the multimodal node in Trubarevo continued, as a financially viable project, continued during 2020, financed under SOPT IPA2. Due to the poor quality of received bids, the Evaluation Commission decided to cancel the tender on 23 December 2020. The Ministry of Transport and Communications was obliged to prepare a draft law harmonised with the legislation of the European Union for **combined transport** and to submit it to the Government, no later than 31 March 2021. A revised tender dossier was prepared and submitted to the MF-CFCD for re-tendering on 26 March 2021. Consultations on the further action of the project are ongoing. The project will last 18 months after the conclusion of the contract.

## Short-term priorities

Preparation of a Feasibility Study for a multimodal freight node in the region of Skopje, together with a tender procedure for preparation of project documentation for a multimodal node in Trubarevo: Upon company selection, a contract with a duration of 18 months will be concluded and the selected company is expected to submit studies and terms of references for the proposed location in Trubarevo, which will provide instructions on the direction of the development in which direction to develop it and how to realize its construction and operation.

The project for the construction of the new Intermodal Terminal can be implemented in two phases. In the first phase, the basic infrastructure should be built, such as railway tracks, access to the terminal, reloading platform, parking for trucks and cars, small warehouses and facilities for providing services such as customs terminal management. At this stage, the capacity of terminal (reloading equipment, storage capacity, parking) should be such as to provide about 6,000 - 8,000 TEU per year. The prediction is that phase 1 will generate profit (satisfactory return on investment) in a short period. In the second phase, more or larger warehouses or

new specialised areas for various services can be established if the demand for TEU transportation increases.

The project for the multimodal node in Trubarevo is foreseen in Chapter 21 Trans-European Networks.

In terms of the legal framework, an obligation has been undertaken within the Subcommittee on Transport, Energy, Environment and Regional Development to prepare a draft legal regulation harmonised with the EU legislation on combined transport in the first half of 2021.

During 2021, a Plan will be adopted for the implementation of the **National Transport Strategy 2018-2030**, supported by EU funds.

Short-term activities continue in the medium term, both with regard to the legislative framework and infrastructure (for more details see Chapter 3.21 TEN - Road networks).

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# AIR TRANSPORT

## Current situation

A Rulebook was adopted on personnel for regulation of traffic flow (Official Gazette No. 127/20), which harmonises our legislation with the following EU measure: Regulation (EU) 255/2010; Rulebook on the common basic rules for the activities in the civil aviation (Official Gazette No. 214/20) which harmonises our legislation with the following EU measure: Regulation (EU) 2018/1139; and Rulebook on Aircraft Crew (Official Gazette No. 228/20) which harmonises our legislation with the following EU measures: Regulation (EU) 1178/2011 amended with 290/2212, 70/2014, 254/2014, 2015/445, 2015/445, 2016/539, 2016/539, 2018/1119, 2018/1065, 2018/1974, 2019/27, 2019/430 and 2019/1747.

### NATIONAL STRATEGY FOR DEVELOPMENT OF AVIATION

Pursuant to Article 6 of the Law on Aviation, the Ministry of Transport and Communications prepares a National Strategy for Development of Aviation, which is an operational document with a validity period of 10 years. A project for preparation of a National Strategy for Development of Aviation 2022-2031 is underway, which is envisaged within the SOPT Procurement Plan 2014-2020 with allocated funds from the IPA 2 instrument. The tender dossier has been approved by the EU Delegation and the tender is expected to be published.

### FUNCTIONAL AIRSPACE

**National authorities are involved with observer status** in the functional airspace block DANUBE where the efficiency in the functioning of the FABs, the forecasts on the increase of traffic and the issue of economy of scale are reviewed, including the fragmentation of the airspace and the added value of the FABs in the preparation of cost-benefit analyses, the announced amendments to the EU regulations in order to prepare the efficiency plans of the service providers for the third reference period, starting from 2020, with special reference to the key areas of efficiency, such as security, airspace capacity, cost efficiency and protection of the human environment.

**Acquisition of observer status in BLUE MED FAB:** The Republic of North Macedonia has expressed interest in obtaining the status of observer in the functional airspace block BLUE MED FAB,

without undertaking an obligation for future membership therein. On 27 April 2020, a Memorandum of Cooperation was signed between the BLUE MED FAB member countries and the Republic of North Macedonia. According to this memorandum, nominated representatives from the Republic of North Macedonia will participate in the activities of the working bodies of BLUE MED FAB, and the need for future procedures and preparations for possible application for country membership as an equal member to BLUE MED FAB member states will be considered in the future.

#### AIR NAVIGATION SERVICE PROVIDER M-NAV A.D. SKOPJE

M-NAV A.D. Skopje continues to actively participate as a member of the Gate One Group of air navigation service providers, following closely the current situation in the region and at European level. At the same time, M-NAV A.D. Skopje is also a member of CANSO Europe and CANSO GLOBAL, organisations through which air navigation service providers jointly represent their interests in international institutions.

M-NAV A.D. Skopje, together with the other regional partners, NATO and EUROCONTROL continue to participate in finding a solution for air traffic normalisation in the lower airspace over Kosovo.

## Institutional framework

The Ministry of Transport and Communications is responsible for aviation affairs, in compliance with the Law on Aviation. According to the Rulebook on systematisation, the Aviation Sector within the Ministry of Transport and Communications employs 6 people.

The competencies of the Civil Aviation Agency are set out in Article 7-b of the Law on Aviation. The total number of permanent employees is 65.

To conduct a technical investigation into aviation accidents and serious incidents, the Government shall establish a Committee for Investigation of Aviation Accidents and Serious Incidents, as an independent investigative body with the capacity of a legal entity. The Committee consists of three investigators appointed by the Government, one of whom is appointed as a Chairperson of the Committee. The Committee is organisationally, functionally and financially independent of the Ministry of Transport and Communications, the Agency and the entities in the aviation industry.

The Government shall also establish a Civil-Military Committee to carry out the activities related to airspace management and flexible use of airspace. The Committee consists of representatives from the Ministry of Transport and Communications, the Ministry of Defence, the Ministry of Interior, the Agency and the air navigation service provider. The work of the Committee is coordinated by the representative of the air navigation service provider.

**M-NAV** A.D. Skopje: Pursuant to Article 60 of the Law on Aviation and in accordance with the Law on Companies, the Government shall establish a joint-stock company (A.D.) for performing air navigation services, with one shareholder - the Government and with the basic activity of provision of air navigation services in accordance with domestic and international SES regulations, standards and recommended practices. For performing the basic activity, the M-NAV A.D. Skopje is issued a Certificate of competence for providing air navigation services by the Civil Aviation Agency every 2 (two) years. The most recently issued Certificate by the Civil Aviation Agency was in accordance with the EU Regulation 1035/2011 in March 2020 and is valid until March 2022. M-NAV A.D. has 303 permanent employees.

## Short-term priorities

The short-term priorities mostly refer to the completion of the regulatory framework in the field. The following legislation and regulations will be adopted in the forthcoming period:

- **Law on Aviation:** Adoption of a new Law Aviation, to harmonise it with the new European Union regulations contained in the new Annex I to the Agreement on European Common Aviation Area (ECVO).
- **Law amending the Law on Obligations and Property and Legal Relations in Air Transport:** The amendments to the Law aim at transposing the new EU regulations that will result from the revised Annex I to the Multilateral Agreement on ECVO.
- **Decree on reporting and investigating accidents, serious incidents, incidents and events on civilian and state aircrafts** – The draft text of the Decree was prepared in cooperation with an expert from Austria who was engaged within the TAIEX expert mission held from 10 to 13 September 2019. The Decree will transpose the provisions of Regulation (EU) 996/2010, Regulation (EU) 376/2014 and Regulation (EU) 2015/1018.
- **Rulebook on flying operations** - The Rulebook will transpose the provisions of Regulations (EU) No. 965/2012; 1008/2008, 2019/2, 452/2014, 800/2013, 71/2014, 83/2014, 379/2014, 2015/140, 2015/640, 2015/1329, 2015/2338, 2016/1199, 2017/363, 2018/394, 2018/1042, 2018/1975, 2019/1384, 2019/1387 and 1139/2018).
- **Rulebook on maintenance, marking, firefighting and issuance of a certificate for meeting the conditions for safe use of the airports** - The Rulebook will transpose the provisions of Regulations (EU) 139/2014 and 2018/401 on the use, maintenance and marking of airports.
- **Rulebook on the construction of airports and obstacles** - The Rulebook will transpose the provisions of Regulations (EU) 139/2014 and 2018/401 for construction and reconstruction of airports.
- **The Rulebook on the manner, rules and special conditions for performing supervision of the professional training of the aviation personnel and other professional personnel, as well as special conditions that a person must meet in order to work as an inspector** - The Rulebook will transpose the provisions for supervision of organisations or training centres for aviation personnel included in Regulations (EU) 1178/2011 and 139/2014.
- **Rulebook on the manner and rules of flying gliders** - The Rulebook will transpose the provisions of Regulations (EU) 2018/1976 and 2018/1139.
- **Rulebook on the manner and rules of flying with air balloons** – The Rulebook will transpose the provisions of Regulations (EU) 2018/395 and 1139/2018.
- **Rulebook on the organisation of working hours, flight time and duration of rest for the aircraft crew members** - The Rulebook will transpose the provisions of Regulations (EU) 965/2012 and 3922/91.
- **Decree on the special conditions, manner and procedure for determining the health capability of the aviation personnel, the validity deadlines of the medical certificates and the special conditions to be met by the health institutions and the authorised individual doctor for performing health examinations of the aviation personnel** - The Decree will transpose the provisions of Regulations (EU) 1178/2011, 290/2012, 70/2014, 245/2014, 2015/445, 2016/539, 2018/1065, 2018/1119, 2018/1974, 2019/27, 2019/430, 2019/1747 and 2015/340.



- **Rulebook on the form, content, records and the manner of issuance, extension, renewal and alteration of the certificate for meeting of the conditions for performing health examinations of aviation personnel and/or other professional personnel** – The Rulebook will transpose the provisions of Regulation (EU) 1178/2011.
- **Rulebook on the manner of maintenance and technical control of the maintenance of aircraft, engine, propeller and aircraft equipment, preparation of technical-technological documentation for maintenance and special conditions regarding the required personnel, equipment and other special conditions necessary for safe and orderly operation, as well as the form, content, records and manner of issuance, extension, renewal and alteration of the certificate for meeting of the conditions for maintenance of aircrafts** – The Rulebook will transpose the provisions of Regulation (EU) 1321/2014; 2015/1088; 2015/1536; 2018/1142; 640/2015 and 2019/133.
- **Rulebook on the manner, rules and special conditions for performing inspection supervision at airports, airfields, terrains and the provision of airport services, and the special conditions that the person must meet to perform inspection activities** - The Rulebook will transpose the provisions of Regulation (EU) 1139/2018 and 139/2014.

## Medium-term priorities

In this time dynamics, it is planned to implement the adopted aviation regulations as well as to follow the novelties in the EU legislation in this area and to follow-up in that regard.



# ENERGY

## Findings and recommendations from the EC 2020 Report

The country continued to be moderately prepared in this area. Good progress was made, notably through the adoption of implementing legislation concerning the third energy package. In the coming year, the country should in particular:

- ▶ finish unbundling the gas transmission system operator;
  - ▶ increase the number of staff as well as the technical/engineering capacity of the Energy Department in the Ministry of Economy and the Energy Agency;
  - ▶ adopt and implement the Energy Efficiency implementing legislation.
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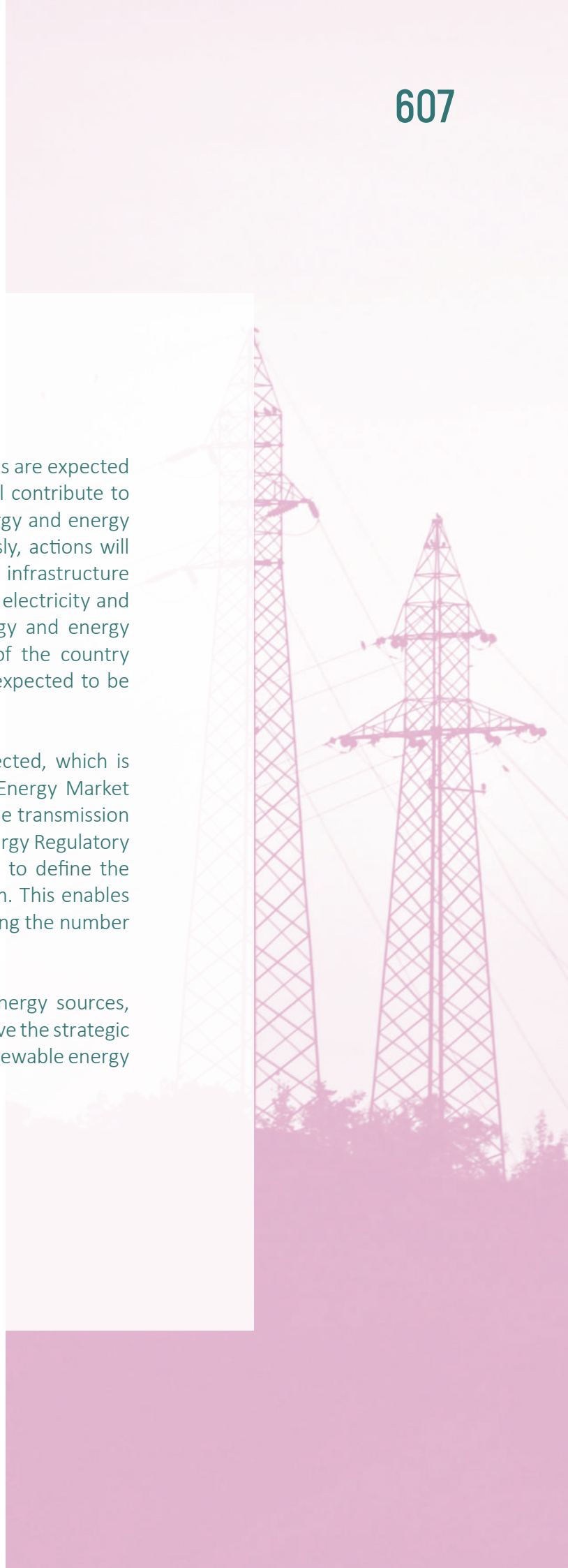
## SUMMARY

In the field of energy, actions, measures and activities are expected to be implemented in the following period that will contribute to ensuring the security of supply for all types of energy and energy sources to consumers in the country. Simultaneously, actions will be taken for modernisation of the existing energy infrastructure and construction of new facilities for production of electricity and systems for transmission and distribution of energy and energy sources. In this regard, the import dependence of the country on certain types of energy and energy sources is expected to be reduced.

Full implementation of the Law on Energy is expected, which is in line with the Third Package of the EU Internal Energy Market legislation. It will ensure greater independence of the transmission system operators, will strengthen the role of the Energy Regulatory Commission and will introduce concrete measures to define the concept of vulnerable consumers and support them. This enables greater competition in the energy sector by increasing the number of participants in the energy markets.

In the area of energy efficiency and renewable energy sources, measures and activities will be implemented to achieve the strategic objectives for energy savings and participation of renewable energy sources in the final energy consumption.

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# SECURITY OF SUPPLY

THE PRIORITIES OF THE GOVERNMENT IN THE ENERGY SECTOR ARE RELATED TO THE NATIONAL OBJECTIVES FOR SECURE (AND COMPETITIVE) ENERGY SUPPLY AND DEVELOPMENT AND INCLUDE SECURE ENERGY SUPPLY, SUSTAINABLE ECONOMIC DEVELOPMENT AND COMPETITIVENESS OF THE ECONOMY. THE SECURITY OF SUPPLY IS ENHANCED. IN THE FOLLOWING PERIOD, ACTIVITIES WILL BE CARRIED OUT ON DIVERSIFICATION OF THE TYPES OF ENERGY AVAILABLE TO CONSUMERS.

## Current situation

### Legal framework

The following EU regulations have been transposed in the Law on Energy<sup>99</sup>:

- Directive 2009/72/EC concerning common rules for the internal market in electricity and Regulation 714/2009 on conditions for access to the network for cross-border exchanges in electricity;
- Directive 2009/73/EC concerning common rules for the internal market in natural gas and Regulation 715/2009 on Conditions for Access to the Natural Gas Transmission Networks;
- Directive 2005/89/EC concerning measures to safeguard security of electricity supply and infrastructure investment;
- Directive 2004/67/EC on measures to safeguard security of natural gas supply;
- Directive 2009/28/EC on the promotion of the use of energy from renewable sources; and
- Regulation 534/2013 on submission and publication of data on the electricity market.

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99 Official Gazette No. 96/18

The Law established an effective legal framework for cooperation, mutual reporting and coordination of the activities of the competent authorities of the country with the relevant institutions of the Energy

Community, regarding the obligations for reporting on the security of supply, coordinated action in crisis situations, reporting on imposing and monitoring of the fulfilment of the obligations for provision of public and universal service and possibility for coordinated activities related to the functioning and development of the regional energy markets, and especially in the distribution of the interconnection capacities, the management of the balancing and the access to the energy systems for third parties. Activities on finalisation of the bylaws were carried out during 2020.

According to the Law on Energy, JSC ESM is no longer a regulated producer of electricity. This means that the Energy Regulatory Commission does not determine the price at which JSC ESM sells electricity and that the participants in the wholesale electricity market, more specifically the electricity supplier who has the universal service obligation, have no obligation to purchase electricity from JSC ESM. This fully opened the wholesale electricity market.

The Law on Energy also establishes obligations for ownership unbundling of the electricity transmission system operator, as well as certification according to the Third Energy Package.

A project for merging of electricity markets between North Macedonia and Bulgaria is underway. A Steering Committee of the Project has been established, the working groups have been defined, the time frame of the Project has been defined and an agreement for mutual cooperation of the institutions in the Project has been signed.

In order to maintain the security of supply, the Regulatory Energy Commission approved the Plan for maintenance of the electricity transmission network for 2020 on 13 July 2020 and also approved the Plan for maintenance of the electricity distribution network for 2020 of Elektro distribucija DOOEL (Ltd) Skopje on 20 July 2020, and in the same time approved the Plan for maintenance of the electricity distribution network of JSC ESM Skopje on 23 July 2020.

In December 2019, the Law on Strategic Investments was adopted, transposing the Regulation on Trans-European Energy Networks. According to this Law, the projects realised within the framework of interstate agreements are also considered to be strategic investment projects, i.e., projects implemented and financed in cooperation with the European Union, the Ministerial Council of the Energy Community, (PECI - Project of Energy Community Interest; PMI - Project of Mutual Interest; PCI - Project of Common Interest). For Peci and PMI, the Law provides for the status of a strategic investment project by virtue of this Law, at the proposal of the Commission composed of Ministers in the Government.

**The Energy Development Strategy for the period until 2040** was adopted in December 2019 (Official Gazette No. 25/2020).

The application of the new **Law on Mandatory Oil Reserves started**<sup>100</sup> on 1 January 2021, transposing the new Directive 2009/119/EC. All bylaws have been adopted, including those in which the four annexes of Directive 2009/119/EC (Annex I - IV) are to be transposed, as well as the Plan for intervention in case of emergency disruption of the market supply with crude oil and/or oil derivatives (Official Gazette No.17/2021).

On 31 July 2020, the Ministry of Economy prepared and published a Report on the security of natural gas supply, which was submitted to the Secretariat of the Energy Community.

## Institutional framework

On 16 January 2021, the Government adopted the **Programme for protection of vulnerable energy consumers for 2021**. This Programme defines the consumers that fall into this category, the protection measures that are taken, measures for saving electricity and energy efficiency, the ways for realisation of the measures, the measures taken by the operators of the energy distribution systems, the measures taken by the suppliers with obligation to provide public service, i.e., universal service in the energy supply, and the necessary funds and sources of financing.

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<sup>100</sup> Official Gazette No. 144/14, 178/14, 199/15 and 197/17, 7/19 and 275/19



## Short-term priorities

### Legal framework

- Decree on direct lines and Decree on declaring a state emergency has been adopted
- The *day-ahead merger of electricity markets between North Macedonia and Bulgaria* project is underway and is expected to be completed by the end of 2021;
- The Ministry of Economy, by 31 July 2021 at the latest, will prepare and publish a Report on the security of electricity supply and will submit it to the Secretariat of the Energy Community;
- Adoption of the Decree on the quality of liquid fuels;
- Based on the Law, the medium-term and annual acts of the Agency for Mandatory Oil Reserves (as a legal successor of the Directorate) will be adopted, which regulate the manner, dynamics and necessary financial resources for formation, storage and maintenance of mandatory oil reserves for the current year.

### Institutional framework

- During 2021, it is planned to strengthen the administrative capacities of the Energy Sector at the Ministry of Economy and the Energy Agency with new employments. The representatives of these institutions will actively participate in the working groups at the Secretariat of the Energy Community.
- During 2021, the Directorate is expected to obtain consent for manning of 2 (two) vacancies, in order to achieve the necessary staffing that should enable quality and timely execution of the legal obligations.

## Medium-term priorities

Activities for implementation of the Energy Development Strategy until 2040.

Within the medium-term priorities of the Agency for Mandatory Oil Reserves is the adoption of the **Action Plan which will regulate**

**the dynamics of the formation of the mandatory reserves to the required minimum level, no later than 31 December 2022**, according to the Decision of the Ministerial Council of the Energy Community, adopted at a ministerial meeting in Budva in 2012.

In the specified period, at the proposal of the Agency for Mandatory Oil Reserves, the Government will make decisions on the amount and structure of mandatory reserves on an annual level, for each year separately.

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# INTERNAL MARKET

## Current situation

### Legal framework

One of the main objectives in the energy sector is to encourage competition in the energy markets by respecting the principles of non-discrimination, objectivity and transparency, as well as integration of the energy markets of the country in the regional and international energy markets in line with the obligations undertaken by ratified international agreements such as and the Treaty establishing the Energy Community. The main objective of implementing the EU internal energy market legislation is further liberalisation of the energy market towards achieving safe functioning of the energy market and creating conditions for greater competition in the field of energy supply to consumers in the country. This is in line with the European Union Strategy 2020, the Strategy for Southeastern Europe 2020 and the Regional Energy Strategy of the Energy Community.

About 49% of the total **electricity** consumed in the country is procured on the open electricity market, including the quantities of electricity to cover the losses of OEPS and ODS purchased on the open electricity market since 1 January 2012. In November 2020, there are 34 licensed suppliers and 60 licensed electricity traders, out of which 15 active electricity suppliers in the liberalised electricity market and one active electricity supplier in the regulated electricity market, while the wholesale market with electricity has 21 active electricity traders.

The procedures for switching supplier are provided for in the new Electricity Supply Rules, and so far the ERC has not received any complaints regarding these procedures. In 2019 there were 7,231 switching supplier, while in 2018 there were 4,344 switching suppliers, which is an increase of 66.46%. This means that there are positive developments in the electricity market.

According to the Law on Energy, JSC ESM is no longer a regulated producer of electricity. This means that prices, tariffs and the conditions under which it operates are no longer regulated by the ERC. This abandoned the regulation of electricity generation prices and fully opened the wholesale electricity market, which means that wholesale market participants enter into mutual agreements by free choice.

According to the Law on Energy, JSC ESM, as a producer of electricity with largest installed capacity, is obliged to offer to the universal supplier, EVN HOME DOO Skopje, in the procedures for procurement of electricity, electricity for sale in a certain percentage of the total annual needs of the universal supplier, starting in 2019 and until 2025. This percentage is declining by at least 80% in 2019 and 75% in 2020, to at least 30% in 2025. Considering that JSC ESM submitted bids with the lowest price on the announcements for procurement of electricity to the universal supplier for the second half of 2020, EVN HOME DOO Skopje and JSC ESM concluded contracts for procurement of most of the electricity needs of the universal supplier.

The Law on Energy envisages ownership unbundling of the electricity transmission system operator, as well as certification in line with the Third Package of the Internal Market Legislation of the European Union. ERC, in accordance with the Law on Energy and the Rulebook for certification of electricity transmission system operator and natural gas transmission system operator, upon a prior opinion of the Secretariat of the Energy Community and after jointly harmonising it, adopted a Decision on certification and appointment of operator of the electricity transmission system No. 02-2851/1 from 15 August 2019<sup>101</sup>. ERC published the Decision (Official Gazette No.175/2019) on its website together with the opinion of the Secretariat of the Energy Community.

In 2020, for the first time, the compliance officer of the electricity distribution system operator submitted to the ERC for approval the Annual Report on the implementation of the Compliance Programme of ELEKTRODISTRIBUCIJA DOOEL Skopje. The ERC approved the Annual Report on 30 March 2020. Also in 2020, for the first time, the compliance officer of the transmission system operator submitted an Annual Report on the implementation of the Compliance Programme of JSC MEPSO Skopje. The ERC approved the Annual Report on 30 March 2020.

According to the Law on Energy, the Government, on a proposal from ERC and upon a prior opinion of the transmission system operator submitted to the ERC, may make a decision:

- to appoint the electricity market operator as the operator on the organised electricity market, or
- for conducting a tender procedure through a public call under the regulations that regulate the procurement of a public service for selection of an operator on the organised electricity market.

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101 Official Gazette No. 175/19

The Government adopted a Decree on the operation of the operator on the organised electricity market and on the necessary technical, personnel and financial conditions to be met<sup>102</sup>. Article 8 of the Decree stipulates that, in order to perform the activities of a nominated operator, the holder of a license for performing energy activity that organises and manages the electricity market shall submit a notification to the ERC, with appropriate documentation, on the fulfilment of the requirements of the Decree and the deadlines for their fulfilment. After the completion of the procedure, the Government adopted a decision on 9 September 2020 to appoint MEMO DOOEL Skopje as a nominated operator on the organised electricity market. During 2021, MEMO DOOEL Skopje should introduce an organised electricity market in the country. The procedure is ongoing.

102 Official Gazette No. 227/19

After the approval of the Rules for balancing the power system by the ERC on 28 June 2019, JSC MEPSO Skopje started conducting competitive procedures for procurement of system services and balancing energy. Among other things, these Rules introduce for the first time a transparent and market-oriented way for procurement of system services by the transmission system operator, as well as a methodology that determines, in a transparent and non-discriminatory manner, the price for balancing the deviations of the nominal and the realised quantities by the electricity market participants. They also regulate the financial settlement with the balancing service providers and the balancing responsible parties, the rights and obligations of the balancing service providers and the balancing responsible parties, etc. These Rules make all market participants, including the regulated enterprises, balancing responsible parties.

During 2019 and 2020, the ERC worked to improve data collection and advancing of the wholesale market transparency by transposing Regulation (EU) 543/2013 on submission and publication of data in electricity markets. This Regulation was transposed by adopting the Rules on the form, content and dynamics of submission and publication of data adopted by the transmission system operator. Earlier, on 12 November 2019, the ERC adopted a Decision approving the Rules on the form, content and dynamics of submission and publication of data. The rules came into force on 1 March 2020..

**The natural gas market** has been fully liberalised since 1 January 2015. By the end of November 2020, there are 10 licensed suppliers and 15 licensed natural gas traders on this market, out of which 2 active importers - natural gas traders, including also 5 active natural gas suppliers, out of which 3 are at the same time operators of natural gas distribution systems.

The Law on Energy provides for ownership unbundling of the natural gas transmission system operator, as well as certification in accordance with the Third Package of the EU Internal Energy Market legislation. The Ministry of Economy will be the owner and responsible for the natural gas transmission system operator. To implement the same, the state redeemed (bought) the part of the shares in GA-MA which are owned by JSC Makpetrol, because, according to the Third Package, they were not allowed to have a majority ownership share in the transmission network and the supply (at the same time). On 28 December 2021, the Parliament adopted the Law on Resolution of the Dispute between the Government of the Republic of North Macedonia and Makpetrol JSC Skopje by agreement, with a shortened procedure (Official Gazette No. 317/20).

At a meeting held on 24 December 2020, the Energy Regulatory Commission postponed the implementation of the Natural Gas Transmission Tariff System which transposes the Regulation 715/2009. It was supposed to enter into force on 1 January 2022 but it was postponed due to the process of ownership unbundling of the transmission system operator for natural gas, as this process was not yet completed.

In the following period, the ERC will issue a license to the newly established natural gas transmission operator to perform the energy activity of natural gas transmission, and then the ERC will proceed to certification of the transmission system operator in accordance with the Third Package of the Internal Market Legislation of the European Union. The new natural gas transmission operator will continue with the preparation and adoption of the remaining bylaws in the field of natural gas foreseen by the Law on Energy, which will be published after being approved by the ERC.

ERC actively participates in the Commission established by the Government for preparation of public tender and tender documentation for awarding public-private partnership for financing, design, construction, management, maintenance and development of the natural gas distribution system, which was announced in early 2020.

In 2020, the ERC continued to prepare and adopt bylaws arising from the Law on Energy. The Law on Energy implements the provisions and obligations of the Third Package of the EU Internal Energy Market legislation and the Directive on the promotion of renewable energy sources. Until the end of November 2020, the following have been adopted or approved:

- Maintenance and investment plan in the development of the electricity transmission system
- Rules for handling complaints and resolving disputes<sup>103</sup>
- Loss reduction plan in the electricity distribution system
- Maintenance and investment plan in the development of the electricity distribution system
- Electricity transmission loss reduction plan<sup>104</sup>
- Rulebook and methodology for establishing the highest refinery and retail prices of certain oil derivatives and transport fuels<sup>105</sup>
- Grid rules for electricity transmission.

ERC is also actively working on the remaining bylaws that need to be adopted within the deadlines set by the Law on Energy<sup>106</sup>.

During 2020, ERC actively participated in the proposed amendments to the Law on Energy, in the part of the transposition of REMIT, as well as in the amendment of the Rulebook on the manner and procedure for monitoring of the functioning of energy markets. ERC will adopt the amendments to the Rulebook after the entry into force of the Law amending the Law on Energy.

ERC continued to **supervise the work of the water service providers** in areas larger than 10,000 population equivalent, for whom this year is the second year of the regulated period 2018-2020 and by monitoring the implementation of the Business plans and tariff adjustment plans, which, in line with the provisions from the Law on Setting Prices of Water Services<sup>107</sup>, is done by submitting Annual Reports on the operation of the water service providers. An analysis was performed on their realisation.

**For the water service providers** providers in areas with less than 10,000 population equivalent from all 8 planning regions in the country, 2019 is the first year of the regulated period 2019-2021. During 2019, ERC started monitoring the application of the tariffs by categories of users, which are a result of the adopted decisions for setting tariffs for water services in 2018, and for the water service providers in areas with less than 10,000 population equivalents, for the regulated period 2019-2021. These tariffs by categories of users were set by the water service providers, with a Decision for setting tariffs and with consent of the founder of the water service provider, as well as confirmed in the municipal councils, depending on the area in which the water service is provided.

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103 Official Gazette No. 106/20.

104 <https://www.erc.org.mk/odluki/2020.08.27%20Reshenie%20za%20odobruvanje%20na%20plan%20za%20namaluvanje%20na%20zagubi%20na%20MEPSO.pdf>

105 Official Gazettes No. 108/20 and 133/20

106 Annex - Internal Market ERC

107 Official Gazette No. 7/16



ERC is a member of the Energy Community Regulatory Board (ECRB), the Energy Regulators Regional Association (ERRA) and the European Water Regulators Network (WAREG), as well as an observer in the Council of European Energy Regulators (CEER). In July 2019, the ERC applied for participation in the working groups of the Agency for Cooperation of Energy Regulators (ACER). The Energy Community Secretariat analysed the ERC application and submitted a positive opinion to ACER on the ERC's participation in the ACER working groups.

## Institutional framework

In December 2020, the total number of full-time employees in ERC is 30 people and 3 people are working on a temporary contract for 1 year. The total number of ERC members is 6 people.

In November 2020, one ERC member resigned due to retirement.

## Programmes and projects

ERC is a beneficiary of the technical assistance project for preparation of bylaws in accordance with the Law on Energy, funded by USAID. In 2020, the cooperation with NARUK and USAID continued in the implementation of two projects: Enhancing Market Performance by Understanding the Value Proposition for Market Coupling and Improving Investment Planning Through the Implementation and Enforcement of Quality of Service Standards.

In November 2019, ERC joined the KEP Project (Know-How Exchange Programme) at CEI - Central European Initiative "CEI - Central European Initiative Support for Strengthening Energy Regulatory Authorities in the Western Balkans third phase" concerning the exchange of experiences between regulatory bodies related to the merging of electricity markets.

## Short-term priorities

### Legal framework

In order to fulfil the obligations of the Treaty establishing the Energy Community, the country will continue with the transposition and implementation of the EU legislation in accordance with the Third EU Energy Package, i.e., will adopt the following acts and programmes:

- Rulebook on methods and procedures for calculation of average daily net imports and average daily domestic consumption;
- Rulebook on the form and manner of submitting data on the status of own inventories and mandatory and operational reserves every month;
- Rulebook on preparation and deadlines for submission of statistical summaries to the European Commission, on the content, form and manner of keeping the Registers of mandatory and special reserves, as well as the rules for preparation and deadlines for submission of summaries from the Registers of mandatory and special reserves to the European Commission;
- Rulebook on methods and procedures for calculating the mandatory reserve levels;
- During 2021, the ERC will continue with the implementation of the already adopted or approved, bylaws that are based on the transposed provisions of the Third Package of the EU Internal Energy Market legislation, with a focus on the implementation of the Rulebook on monitoring of the functioning of the energy markets and the rules for handling complaints and resolving disputes;
- ERC has drafted a Rulebook on the manner and procedure for performing supervision and monitoring of the functioning of the energy markets, which transposes the provisions of REMIT into this Rulebook. The Rulebook will be adopted after the entry into force of the Law amending the Law on Energy;
- Accordingly, during this period, the ERC will continue to

work on the regulations adopted by the distribution and transmission system operators that have not yet been approved. ERC will also work on approving the plans for the development of the electricity transmission system and electricity distribution systems, the plans for maintenance of the electricity transmission and electricity distribution systems and more. In addition, the ERC annually approves the reports of the compliance officers of the electricity transmission system operator, i.e., the electricity distribution system operator, on the implementation of the compliance programmes of the operators in order to enable transparent, objective and non-discriminatory operation of the operators;

- In the following period, the ERC will contribute to the preparation of other bylaws in the field of electricity and natural gas that should be prepared by the natural gas transmission and distribution operators, and approved by the ERC.

## Institutional framework and implementation

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The ERC Financial Plan for 2021 envisages employment of 6 people. With the realisation of these employments, the total number of full-time employees in ERC is expected to be 44 people by the end of 2021.

## Medium-term priorities

ERC will continue with the activities for implementation of the remaining provisions of the Third Package of the EU Internal Energy Market legislation, especially in the area of implementation of grid connection codes and capacity allocation and congestion management regulations.

It is planned to continuously strengthen the Energy Sector of the Ministry of Economy, with new employments and trainings.

In order to ensure the proper implementation of the ERC competencies, activities will be carried out to strengthen the administrative capacity needed to implement the actions under the Third Package of the EU Internal Energy Market legislation. It is planned to continuously strengthen the capacity with new employment with another 16 people by 2025.

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# RENEWABLE ENERGY SOURCES

## Current situation

### Legal framework

Greater use of renewable energy sources (RES) is one of the main strategic objectives in the energy sector. This is very important for the security of clean energy, for creating conditions for sustainable energy development in the country and the region, as well as for fulfilling the obligations arising from the Treaty establishing the Energy Community.

According to the new Law on Energy, in terms of renewable energy sources (RES), the provisions of the EU Directive on RES have been transposed, which refer to statistical transfers, joint projects and coordination of support measures with EU or third countries.

According to the Law on Energy, many bylaws were adopted in 2019 to transpose the provisions of the RES Directive, such as:

- Decree on measures to support the generation of electricity from renewable energy sources (at the end of 2019, a Decree was adopted amending the Decree on measures to support the generation of electricity from renewable energy sources);
- Decision on the total installed power capacity of the preferential electricity producers (adopted in September 2019);
- Decision on the national mandatory targets for the share of energy generated from renewable sources in the gross final energy consumption, and for the share of energy generated from renewable sources in the final energy consumption in transport;
- Programme for financial support for generation of electricity from preferential producers that use premium for 2020;
- Rulebook on renewable energy sources.

According to the Decree on measures to support the generation of electricity from renewable energy sources (Official Gazette No. 29/2019), the current feed-in tariffs remain and will be applied to a preferential producer for electricity generated from the following types of technologies of power plants:

- hydropower plant;
- wind power plant;
- biomass thermal power plant (that uses biomass as a propellant); and
- biogas thermal power plant (that uses biogas as a propellant).

The feed-in tariffs, except for energy generated by hydropower plants, will continue to be awarded on a first-come-first-served basis in a procedure at the Energy and Water Services Regulatory Commission. The existing and future preferential producers using feed-in tariffs will be selling the electricity to the electricity market operator.

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A novelty is the introduction of premiums as a support measure, which will be applicable for a photovoltaic power plant and wind power plants that will be awarded on a basis of a tender procedure that includes an auction, with a maximum installed capacity of 50 MW for wind power plant and 30 MW for photovoltaic power plant. The funds for premiums are allocated from the Budget and are considered to be a form of state aid. Unlike the feed-in tariffs, the premiums are awarded through a tender procedure by auction. The period of using the premium for electricity generated by a wind power plant is 20 years, while for a photovoltaic power plant it is 15 years.

The programme for financial support for generation of electricity from preferential producers that use premiums for 2020 was adopted (Official Gazette No. 277/2019). The maximum reference amount of the fixed premium for generation of electricity in 2019 is 15 €/MWh for photovoltaic power plants.

The first call for awarding a contract for the right to use the premium for electricity generated by photovoltaic power plants resulted in 9 contracts concluded with the selected bidders for 11 locations built on state-owned land, and with 27 contracts on locations that are

### area 3.15.3.

not owned by the state, or on land owned by the state on which the right of use has been established. In October 2020, the first photovoltaic power plant built on private land started operating, with a total installed capacity of 300 kW.

In order to comply with the Guide of the European Commission for granting state aid in environment and energy, the maximum installed capacity of biogas thermal power plant and biomass thermal power plant for which feed-in tariffs will be awarded, after the expiration of the transition period, until 1 July 2020<sup>108</sup>, will be reduced from the current 3 MW to 1 MW.

According to the RES Action Plan, the percentage share of RES in the final consumption in 2020 should be 23.9%, and in 2025 it should be 25%. According to data from State Statistical Office, the share of RES in 2018 is 18.2%, and in 2019 it is 16.8%<sup>108</sup>.

The Republic of North Macedonia will continue its efforts to achieve the objectives for the participation of renewable energy sources in the final energy consumption with construction of new plants, as well as with enhanced energy efficiency measures in accordance with the strategic documents.

The Ministry of Economy provided technical assistance for the development of a **National Integrated Energy and Climate Plan** that will incorporate the new framework in which our country plans, in an integrated manner, our climate and energy objectives, policies and measures. The first final draft of the National Integrated Energy and Climate Plan has been prepared. The next step is to conduct a public hearing with the stakeholders, followed by the preparation of an environmental impact assessment of the National Integrated Energy and Climate Plan. The National Integrated Energy and Climate Plan will also include the objectives and measures of the Renewable Energy Action Plan, which was originally planned to be developed in the coming period.

In order to fully complete the legislation and bylaws aimed at promoting biofuels and to fully transpose Directive 28/2009/ EC on the promotion of renewable energy sources, in the part that regulates the **biofuels**, it is necessary to adopt a new Law on Biofuels, Action Plan for the use of biofuels (based on this Law), as well as relevant bylaws that will complete the legal framework and regulate the use of biofuels, including the introduction of a methodology for determining the mandatory percentage of biofuels, share, as well as the establishment of a system for verification of biofuels, the price of blended biofuels, the possibilities for subsidising of production and use, etc. The Secretariat for European Affairs provided technical assistance for the preparation of the Law on Biofuels, through the Nordic Support for Progress of North Macedonia

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<sup>108</sup> <http://www.stat.gov.mk/PrikaziSooopstenie.aspx?rbrtxt=64>



project. With the appointment of the experts, rationalisation of the legislation adaptation process is expected which will result in better harmonisation of the legislation with the Treaty for Establishment of the Energy Community and the energy legislation of the EU. According to the established dynamics, the Law on Biofuels is expected to be prepared in the second half of 2021.

Since 2008, ERC has been making decisions on awarding the status of preferential producer and decisions on the use of feed-in tariffs for generation of electricity from renewable energy sources. Currently, the total installed capacity of the 202 preferential producers using feed-in tariffs is 146.3 MW:

- ➔ 85.20 MW (95 small hydropower plants) and planned 29.59 MW (26 small hydropower plants under construction);
- ➔ 16.71 MW (102 photovoltaic power plants);
- ➔ 36.80 MW (1 wind power plant) and planned 113.2 MW (3 wind power plants under construction);
- ➔ 6.99 MW (3 biogas thermal power plants) and planned 1.99 MW (1 biogas thermal power plant under construction);
- ➔ 0.6 MW (1 biomass power plant) and planned 3.15 MW (4 biomass power plants are under construction).

The existing feed-in tariffs will apply only to small hydropower plants and biogas and biomass thermal power plants. The existing and future preferential producers using feed-in tariffs will be selling the electricity to the electricity market operator.

## Institutional framework

Training of the existing employees, as well as employment of new people, is needed in the Energy Sector of the Ministry of Economy, in order to be able to respond to the challenges in this field (energy) in a quality and timely manner. Currently, the Unit for Energy Efficiency and Renewable Energy Sources has 3 manned job positions out of a total of five.

## Programmes and projects

The Government adopted the Programme for financial support for generation of electricity from preferential producers that use the premium for 2021 (Official Gazette No. 12/21). This Programme regulates the total installed capacity of the power plants by type of technologies for which a premium will be awarded following a tender procedure and conclusion of contracts for use of premium in 2021 and the amount of funds needed to pay the premiums for electricity produced and sold in 2021. The funds for the realisation of this Programme amount to MKD 21.8 million and are determined in the Budget for 2021. The Government adopted the **Programme for Promotion of Renewable Energy Sources and Encouragement of Energy Efficiency in Households for 2021** (Official Gazette No. 12/21), carried by the Ministry of Economy. The funds for the realisation of this Programme were in the amount of MKD 52 million.

In 2020, the only public announcement that was realised was the one for reimbursement of the costs for purchased and installed pellet stoves. The rest of the funds that were foreseen for the remaining public announcements were reallocated to measures for dealing with the COVID-19 crisis.

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## Short-term priorities

### Legal framework

According to the draft Law on Energy, the following acts should be adopted:

- Rulebook on technical specifications that RES equipment and systems must meet
  - Rulebook on licensing of installers
  - Adopt the Law on Biofuels by mid-2021.
  - Adopt the National Integrated Plan for Energy and Climate by mid-2021
  - Activities planned with the adoption of the Decree on measures to support the generation of electricity from renewable energy sources: preparation of tender documentation for a public announcement for bidding on the amount of the preferential premium with a model contract, as well as publishing of a public announcement for bidding on the amount of the preferential premium for specific locations and on private land.
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### Institutional framework

Considering the increased volume of work for implementation of the RES Regulation in the domestic legislation, the proposed systematisation act of the Ministry of Economy foresees the establishment of a special Unit for Renewable Energy Sources with 6 job positions. The new systematisation is expected to be approved in 2021.

## Programmes and projects

### BOGDANCI WIND FARM SECOND PHASE

The call for pre-qualification for engineering, procurement and construction - LOT 1 and LOT 2 for the Bogdanci Wind Farm second phase project was announced on 29 January 2020. This construction will increase the share of renewable sources in the generation of electricity of JSC ESM by about 3% and will reduce the CO<sub>2</sub> emissions by about 35,000 t/year.

### OSLOMEJ PHOTOVOLTAIC POWER PLANT

The planned installed capacity is 10 MW, with planned annual electricity production of about 15 GWh. On 4 January 2019, JSC ESM signed a Loan Agreement with the European Bank for Reconstruction and Development (EBRD) for the construction of a photovoltaic power plant (FPP) with an installed capacity of 10 MW at the existing thermal power plant Oslomej. The value of the investment is EUR 7 million, out of which EUR 5.9 million is a loan from EBRD, while the remaining funds were provided by JSC ESM from its operations.

In December 2019, an agreement was signed with the selected contractor company "Girishim Electric", in accordance with the highest European and international standards.

On 26 February 2021, the country applied for this project before the Investment Framework for the Western Balkans. The construction of a new FPP Oslomej 2 with an installed capacity of 10 MW is also planned. The value of the investment is planned to be around EUR 9.5 million and the project is expected to start this year. It will be implemented by JSC ESM. The planned annual electricity production is around ~ 15 GWh and savings of CO<sub>2</sub> of 11 Mton/year .

### PHOTOVOLTAIC POWER PLANT WITH INSTALLED CAPACITY - TPP BITOLA

JSC ESM also plans to implement the project for the construction of a photovoltaic power plant with an installed capacity of 20 MW in REK Bitola. As a branch of JSC ESM, REK Bitola is the largest thermal power plant in the country and is owned by JSC ESM. The annual electricity production from the FPP is planned to be around 30 GWh and CO<sub>2</sub> savings of ~ 22,000 t/year. The value of the investment is planned to be around EUR 20 million.

## Medium-term priorities

### Legal framework

- Adopt an Action Plan for biofuels and bylaws.
- Continue the activities for implementation of the National Energy and Climate Plan.
- Establishment of an information system in the Energy Agency, organisation of a new campaign for measuring the potential of wind energy, increased registration of plants for generation of electricity from renewable energy sources in the Register of Plants.

### Institutional framework

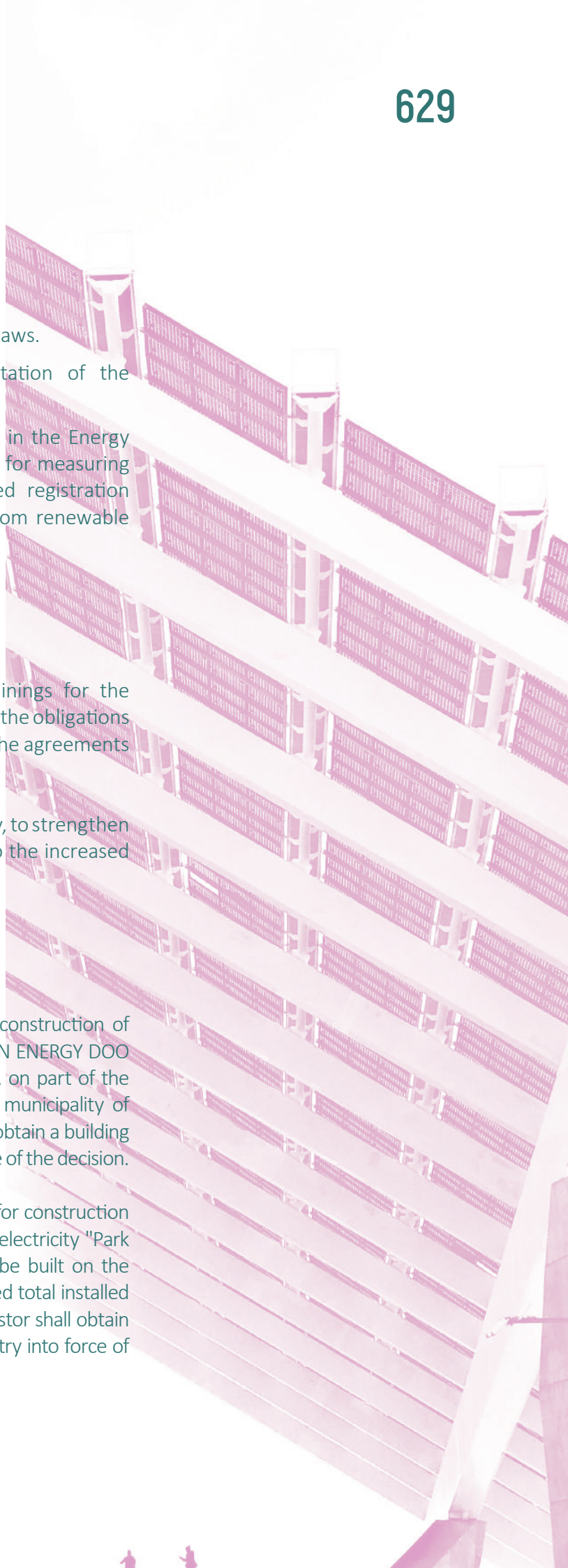
It is planned in this period to continue with trainings for the employees in the Energy Sector, especially in terms of the obligations of the Ministry in relation to the implementation of the agreements for use of premium.

Four new employments are planned in Energy Agency, to strengthen the capacities and implement the work tasks due to the increased volume of activities arising from the Law on Energy.

### Programmes and projects

The Government adopted a Decision authorising the construction of an energy facility Veterna Elektrana Dren of the KALTUN ENERGY DOO Company Skopje, with an installed capacity of 34 MW, on part of the territory of the municipality of Demir Kapija and the municipality of Gevgelija. The decision stipulates that the investor shall obtain a building permit within three years from the day of entry into force of the decision.

The Government adopted a Decision for authorisation for construction of an energy facility of the company for generation of electricity "Park of wind power plants EUROING" DOO - Gevgelija, to be built on the territory of CM Bogdanci and CM Stojakovo. The planned total installed capacity is 30 MW. The decision stipulates that the investor shall obtain a building permit within three years from the day of entry into force of the decision.





#### MIRAVCI WIND FARMS - FIRST PHASE

The planned installed capacity of **PIRE Miravci is 14 MW**, with planned annual electricity production of up to 45 GWh. This project increases the installed capacity of the production facilities of JSC ESM and annual production of an additional 45 GWh. The construction of the farm will increase the share of the renewable sources in the production of JSC ESM.

JSC ESM announced a public call for construction of a **100-megawatt** photovoltaic power plant on the site of the exhausted coal mine of **REK Oslomej** through a public-private partnership. The subject of the contract for the establishment of a public-private partnership is design, construction and business operation of two photovoltaic electric power plants with a minimum installed capacity of 40 MW (max.50 MW), which will be built on the location of the old mine within REK Oslomej, a subsidiary of JSC ESMS Skopje, at an area of about 150 ha, which is owned by JSC ESM, for 35 years.

The estimated financial investment for construction of two photovoltaic power plants is between 60 and EUR 80 million. The investment is planned to start in 2020 and the public-private partnership agreement would be signed for 35 years, after which the private partner is obliged to transfer the ownership right of the FPP and hand it over in actual possession to the public partner (JSC ESM) in good operating condition.

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# ENERGY EFFICIENCY

## Current situation

### Legal framework

A new three-year energy efficiency plan for the period 2020-2022 has been prepared. The first draft has been finalised and it is expected that, after conducting a public consultation, the draft plan will be submitted to the Government for adoption by the end of April 2021 at the latest.

The Energy Efficiency Directive is partially transposed into the Law on Energy Efficiency (Official Gazette No. 25/2020). The Law is harmonised with the Secretariat of the Energy Community. The Energy Efficiency Directive will be fully transposed with the adoption of the bylaws arising from the Law on Energy Efficiency. The Law envisages the preparation of a long-term **Strategy for the reconstruction of residential buildings, public and commercial buildings by 2030** in order to ensure efficient and economically justified reduction of the energy consumption, by applying energy efficiency measures and at the same time reducing the pollution of the environment. The Law regulates the obligation to adopt a Decree for adoption of the energy efficiency targets and three-year Action Plans for implementation of the EE measures will be prepared accordingly.

In order to ensure effective monitoring and verification of the implementation of the EE measures, the Energy Agency is expected to manage, maintain and upgrade a web tool (Monitoring and Verification Platform - MVP) available on the Internet. The Minister should adopt a Rulebook on the MVP tool which will prescribe the procedures and technical parameters for the establishment, as well as the rules for use and update, which is in the process of development.

The Directive on Energy Performance of Buildings is partially transposed into the existing Law on Energy, the Rulebook on Energy Performance of Buildings and the Rulebook on Energy Audits.



## Institutional framework

Three job positions are currently manned (out of 5) in the Unit for Energy Efficiency and Renewable Energy Sources within the Energy Sector of the Ministry of Economy.

## Programmes and projects

- The main precondition for launching of the planned **Public Sector Energy Efficiency Project**, in the total amount of EUR 25 million, which is part of the new four-year Strategy of the International Bank for Reconstruction and Development - World Bank Partnership with the country for the period 2019-2023, is adoption of the Law on Borrowing under the Loan Agreement for Financing the Public Sector Energy Efficiency Project, which has been in Parliamentary procedure since October 2020. The main objectives of the project are to reduce energy consumption in the public sector and support the establishment and operationalisation of a sustainable mechanism for financing energy efficiency in the public sector. In order to provide the necessary funds from the International Bank for Reconstruction and Development - World Bank for this project, it is planned to conclude a Loan Agreement between the International Bank for Reconstruction and Development - World Bank and the Republic of North Macedonia. This project is expected to be complemented by a potential 10 million dollars grant from the Green Climate Fund, which will be added to the Project to increase the start-up capital of the proposed EE Fund, thereby expanding the potential client base and the Fund investment portfolio. An additional EUR 3 million are also expected to be added with grant money provided by the EU.
- The project for "**Creating conditions for implementation of ESCO projects**" is underway, which is funded by the Regional Energy Efficiency Programme (REEP), and aims to support energy efficiency projects for street lighting and small distribution systems for heating in municipalities. This project has so far covered five municipalities with energy efficiency projects for public street lighting and it is in the process of implementation in three additional municipalities. The second phase of the project covered municipalities with energy efficiency projects in small distribution systems for heating. Additionally, the Ministry of Economy expressed interest, together with the EBRD team of consultants,

for preparation for an Energy Audit of the building and a potential ESCO financing in the building of the Ministry of Economy.

- A project for rehabilitation of **state student dormitories** is underway, in order to increase their energy efficiency and provide basic living conditions. The project will focus on state dormitories in the following cities: Skopje, Prilep, Bitola, Ohrid and Shtip. The entire implementation of the Project is expected to be completed in 54 months, i.e., the construction works are to be completed in the second quarter of 2024, plus 12 months for identifying defects. The total investment value of the Energy Efficient Rehabilitation Project for student dormitories is around EUR 25 million. The financial structure envisages the funds to be provided from two sources: a loan from the Government of the Federal Republic of Germany, through KfW, in the amount of EUR 20 million and an EU grant in the amount of EUR 4,785 million. The precondition for signing of the above contracts with KfW is adoption of the Law on Indebting by the Parliament.
- The **Residential Energy Efficiency project in the Western Balkans** project was launched in February 2020 as part of the Economic Resilience Initiative-Infrastructure Technical Assistance (ERI-ITA) project, funded by the European Investment Bank (EIB). The project is promoted by Habitat International (HfHI), in coordination with EIB. Countries involved in the project are North Macedonia and Bosnia and Herzegovina. The main objective of this project is to develop a feasibility study for financing energy efficiency projects in the residential sector in the Western Balkans.
- Due to the significant pollution in our country, the most polluted cities of Skopje, Bitola, Tetovo and Kichevo announced a public call for remuneration of approximately 100% of the costs for procurement of inverter air conditioners. The main prerequisite for application is lack of access to the central heating system network and handing over of the old heating stove.

## Short-term priorities

### Legal framework

According to the **Law on Energy Efficiency**, for transposition of the Energy Efficiency Directive (2012/12/EU) and the Energy Performance of Buildings Directive, adoption of the bylaws was foreseen by the end of 2020, however, due to the COVID-19 situation, the deadlines for their adoption are pushed into 2021.

In terms of bylaws arising from the Law on EE, the following will be adopted in 2021:

- Decree establishing a binding energy efficiency scheme - technical assistance is provided by the EBRD through the REEP plus programme for the Western Balkans. The Decree will establish a binding energy efficiency scheme for achieving savings in final energy consumption, which distribution system operators and/or energy suppliers are obliged to implement;
- Decree regulating energy service contracts;
- Rulebook on MVP with which the Minister will prescribe the procedures and technical parameters for establishment, as well as the rules for use and update. In order to ensure effective monitoring and verification of the implementation of the EE measures, the Energy Agency is expected to manage, maintain and upgrade a web tool (Monitoring and Verification Platform - MVP) available on the Internet;
- Rulebook on regulating the methodology for determining the level of energy efficiency in the implementation of public procurement procedures;
- Rulebook on energy audit of large traders, which will regulate the energy audits at large traders and energy controls audits of buildings as separate fields, and will also define the conditions and the procedure for obtaining the authorisation to work as an energy auditor, the training and taking of exams;
- Rulebook on high-efficiency cogeneration plants;
- Rulebook on labelling products that use energy;
- Rulebook on eco-design of products that use energy.

The Law regulates the obligation to adopt a Decree that adopts

the energy efficiency targets and three-year Action Plans for implementation of the EE measures will be prepared accordingly. In order to encourage the implementation of the measures envisaged by the EE Action Plans, the creation of ESCOs is encouraged, which should be financing the project and guarantee that they will achieve the savings by applying EE measures.

The new regulations in the area of buildings are in the process of preparation with technical assistance from EBRD, with which the Directive on energy performance of buildings will be fully transposed.

A Typology of buildings will be adopted in accordance with the TABULA methodology, which will be the basis for the preparation of the Strategy for Reconstruction of Residential Buildings, Public and Commercial Buildings, by 2030.

A new obligation for the Ministry is to prepare and submit to the Energy Community a Plan for increasing the number of buildings with approximately zero energy consumption in the country.

## Institutional framework

During 2021-2022, the Ministry of Economy plans to strengthen the capacity and training of the staff for implementation of activities in the field of energy efficiency, in accordance with the competencies arising from the Law on Energy Efficiency.

In addition, the employees of the Ministry of Economy will participate in the work of the working group of the Energy Community for energy efficiency during 2021-2022.

Considering the increased volume of work related to the implementation of the Law on Energy Efficiency, the proposed systematisation of the Ministry of Economy envisages the establishment of a special Unit for Energy Efficiency with 6 job positions. The new systematisation is expected to be approved in 2021.



## Medium-term priorities

During 2021, the Ministry of Economy will continue the ongoing activities for harmonisation of the national legislation with the energy efficiency Directives.

According to the findings and recommendations of the EC 2020 Report, a **Law on Construction** should be adopted which will redefine the manner of heating of the buildings, i.e., the detailed urban plans will be defining the manner of heating the buildings located in the area of that detailed urban plan. For example, an area in which heating will be provided using a central heating/natural gas/electricity system using highly efficient plants (heat pumps), under the Law on Energy Efficiency.

Under the Law on Energy Efficiency, it is planned to develop and adopt the *Strategy for Renovation of Buildings by 2050*.

In the period 2021-2022, the staffing of the Energy Sector at the Ministry of Economy is expected to be completed.

In order to enable the achievement of the objectives and support the energy efficiency policies prescribed in accordance with this Law, the establishment of Energy Efficiency Fund as an independent and autonomous legal entity is envisaged.

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# NUCLEAR SAFETY AND RADIATION PROTECTION

## Current situation

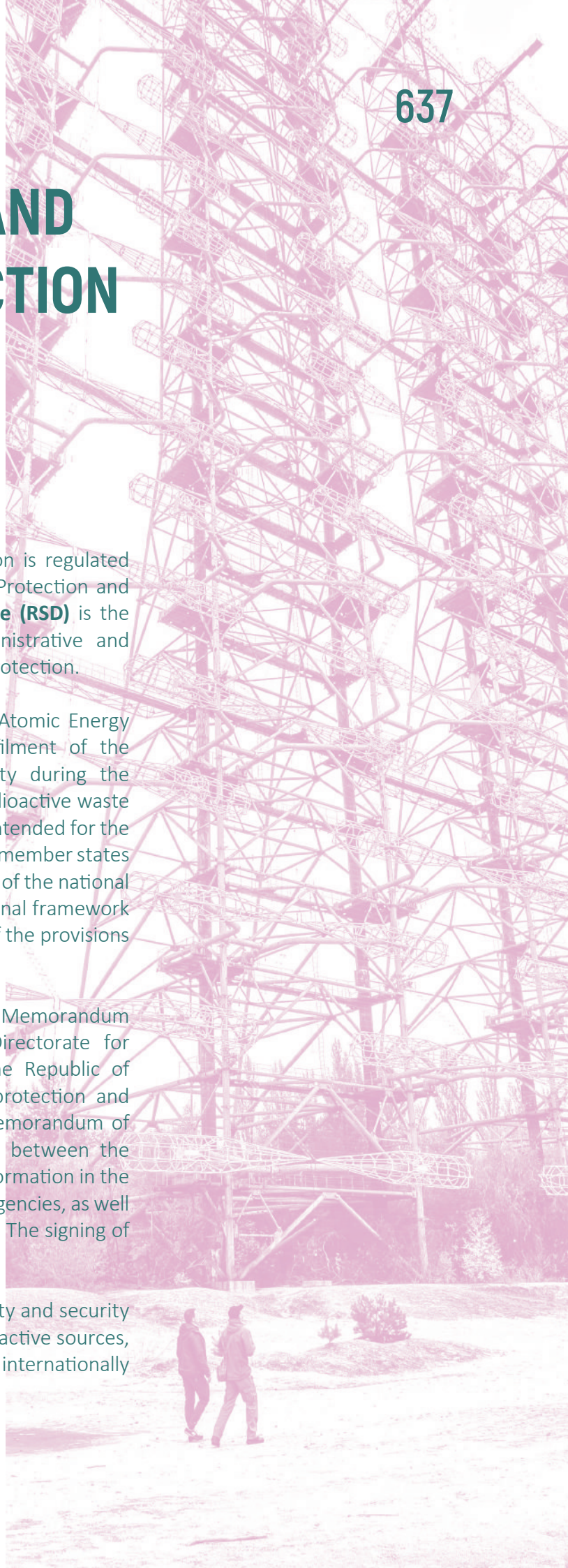
### Legal framework

The field of nuclear safety and radiation protection is regulated in accordance with the Law on Ionising Radiation Protection and Radiation Safety. The **Radiation Safety Directorate (RSD)** is the only competent institution for performing administrative and professional work in the field of ionising radiation protection.

RSD prepared and submitted to the International Atomic Energy Agency the Fourth National Report on the fulfilment of the obligations under the Joint Convention on safety during the management of used nuclear fuels and safety in radioactive waste management (Official Gazette No. 113/09) which is intended for the 7th meeting for review of the national reports of the member states of the Convention. The Report provides an overview of the national radioactive waste management policy, the institutional framework and the legislation relating to the implementation of the provisions of the Convention.

At the beginning of 2020, the procedure for signing a Memorandum of Understanding between the RSD and the Directorate for Radiation and Nuclear Safety and Security of the Republic of Serbia for cooperation in the field of radiation protection and nuclear safety was initiated. The signing of the Memorandum of Understanding will establish bilateral cooperation between the two regulatory bodies and exchange of technical information in the field of combating illicit trade and dealing with emergencies, as well as experiences in the implementation of the EU law. The signing of the Agreement is expected by the end of 2021.

In order to achieve and maintain a high level of safety and security in radioactive waste management and of used radioactive sources, by strengthening national measures and under internationally



recognised principles and standards, especially for protection of the occupationally exposed persons, population and the environment from harmful effects of ionising radiation now and in the future, RSD prepared a Review of the national policy for radioactive waste management and used radioactive sources in the country, as well as Report on the implementation of the National Policy Review.

A decision was made to appoint an operator of a national warehouse for radioactive waste. Amendments to the Law on Protection from Ionising Radiation and Radiation Safety have been prepared in order to appoint an operator of a national warehouse for radioactive waste and thus better radioactive waste management and used radioactive sources on the territory of the country.

According to the obligations from the Law on Ratification of the Additional Protocol to the Agreement between the Republic of North Macedonia and the International Atomic Energy Agency on the Application of Guarantees regarding the Treaty on Non-Proliferation of Nuclear Weapons (Official Gazette No. 43/07), the RSD submits quarterly and annual reports in accordance with the Law on Ratification of the Revised Protocol on Minor Quantities to the Agreement between the Republic of North Macedonia and the International Atomic Energy Agency on the Application of Security Measures regarding the Treaty on Non-Proliferation of Nuclear Weapons (Official Gazette No. 43/07).

A revision of the RSD Strategic Plan for the period 2021-2023 has been prepared for realistic implementation of the objectives and priorities of the Directorate in the medium term and increase of the operability, efficiency and transparency in the implementation of the competencies of the Directorate.

During the reporting period, RSD continued with the ongoing activity of issuing licenses for dealing with ionising radiation sources, and the continuous activity of doing inspection supervision over the application of the Law on Ionising Radiation Protection and Radiation Safety and the bylaws adopted on basis of the Law through the radiation safety inspectors.



## Short-term priorities

### Legal framework

During 2021, RSD will continue its activities aimed at signing a Memorandum of Cooperation with the regulatory body of Serbia and will undertake activities for signing a Memorandum of Cooperation with the regulatory body of Albania.

RSD will continue with the ongoing activities of issuing permits for dealing with ionising radiation sources.

DRS will continue with the ongoing implementation of inspection supervision over the application of the Law on Ionising Radiation Protection and Radiation Safety and the bylaws adopted on basis of the Law.

### Institutional framework

It is planned to strengthen the administrative capacities of the RSD with realisation of new employments.

In order to strengthen the inter-institutional cooperation and strengthen the control of ionising radiation sources, the Directorate plans delivery of trainings in the field of radiation protection and safety.

## Medium-term priorities

### Legal framework

RSD will start amending the Law on Ionising Radiation Protection and Radiation Safety, to further harmonise it with the European legislation and with the provisions of the following directives:

- EU Council Directive 2013/59/EURATOM of 5 December 2013 laying down basic safety standards for protection against the dangers arising from exposure to ionising radiation, and repealing Directives 89/618/EURATOM, 90/641/EURATOM, 96/29/EURATOM, 97/43/EURATOM and 2003/122/EURATOM (EU BSS Directive);
- EU Council Directive 2009/71/EURATOM of 25 June 2009 establishing a Community framework for the nuclear safety of nuclear installations;

- EU Council Directive 2014/87/EURATOM of 8 July 2014 amending Directive 2009/71/Euratom establishing a Community framework for the nuclear safety of nuclear installations;
- EU Council Directive 2011/70/EURATOM of 19 July 2011 establishing a Community framework for the responsible and safe management of spent fuel and radioactive waste;
- EU Council Directive 2006/117/EURATOM of 20 November 2006 on the supervision and control of shipments of radioactive waste and spent fuel.

The ongoing activities of the Directorate for issuing licenses for dealing with ionising radiation sources and conducting inspection supervision on the implementation of the Law on Ionising Radiation Protection and Radiation Safety and bylaws adopted based on the Law will also continue during this period.

**National Register of Ionising Radiation Sources**, which is managed by RSD, will be continuously updated, using an electronic system for recording of sources and users of ionising radiation sources.

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## Institutional framework

It is envisaged to strengthen the administrative capacities of the RSD with new employments if financial means are provided.

In order to strengthen the inter-institutional cooperation and strengthen the control of ionising radiation sources, the Directorate envisages delivery of trainings in the field of radiation protection and safety.



# TRANS-EUROPEAN NETWORKS

## Findings and recommendations from the EC 2020 Report

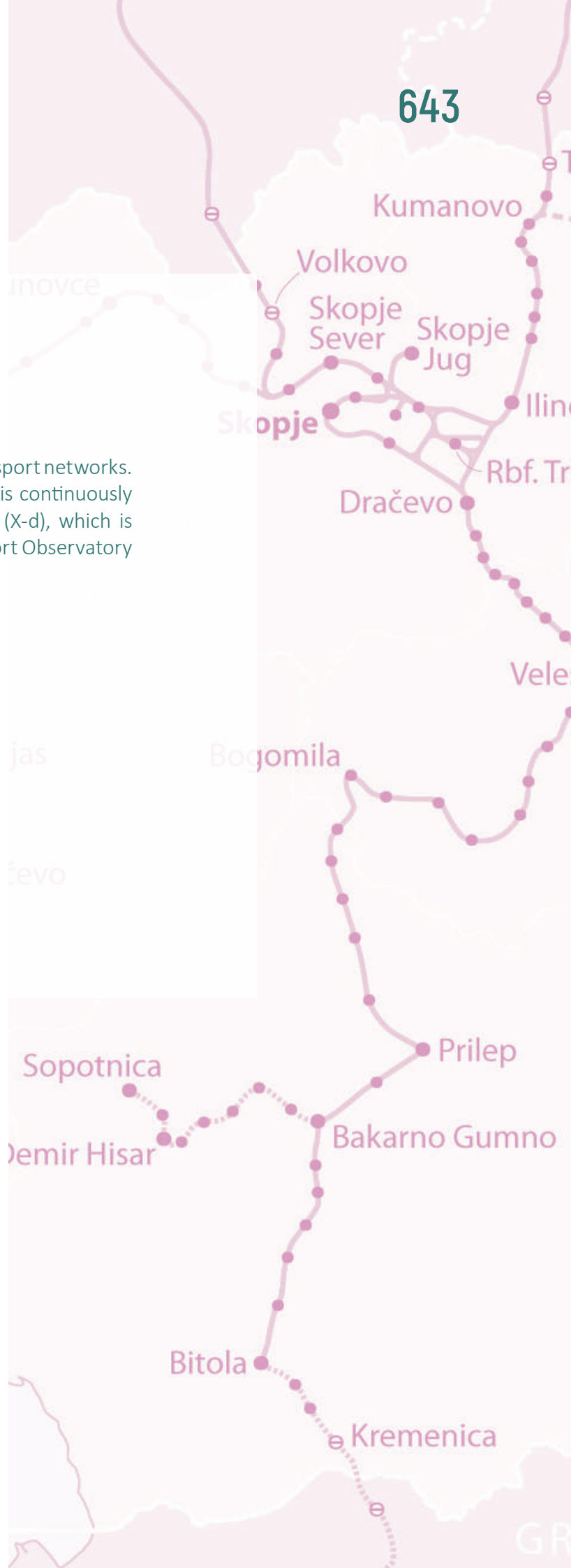
The country maintains a **good level of preparation** in the area of transport networks. **Limited progress** was achieved during the reporting period. There was no progress in completing sector reforms and the 2019 recommendations remain valid. In the coming year, the country should in particular:

- ▶ further, strengthen the operational and technical capacity of all management and stakeholder institutions dealing with the development of both Trans-European Transport (TEN T) and Trans-European Energy (TEN E) networks, and harmonise the legal framework with the Trans European Network Regulation;
- ▶ mobilise sufficient resources to implement the Transport Community Treaty;
- ▶ sign the pending Railway Border Crossing Protocol with Kosovo.

# SUMMARY

Progress has been made on the development of transport networks. The road and railway infrastructure in the country is continuously built and reconstructed, along Corridor VIII and X (X-d), which is part of the network of the Southeast Europe Transport Observatory (SEETO).

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# TRANS-EUROPEAN TRANSPORT NETWORKS

THE INDICATIVE EXPANSION OF THE KEY NETWORK CORRIDORS IN THE WESTERN BALKANS RELATED TO THE TRANS-EUROPEAN TRANSPORT NETWORK (TEN-T) WAS CONFIRMED AT THE WESTERN BALKANS SUMMIT IN VIENNA IN 2015, AND THE PRIORITY OF CORRIDORS VIII AND X WAS ALSO CONFIRMED, AS THEY ARE CONSIDERED AS AN EXPANSION OF THE MAIN NETWORK AND PROVIDE CONNECTIVITY WITH THE NEIGHBOURING COUNTRIES AND BETTER INTEGRATION WITH EUROPE. AS A RESULT, SIGNIFICANT EFFORTS AND RESOURCES HAVE BEEN DEVOTED TO THE DEVELOPMENT OF THESE CORRIDORS.

THE DEVELOPMENT OF THE ROAD AND RAILWAY INFRASTRUCTURE SHOULD BE IN ACCORDANCE WITH THE IMPLEMENTATION OF HORIZONTAL MEASURES, THE MOST IMPORTANT OF WHICH FOR THE NEXT PERIOD IS THE ACHIEVEMENT OF PROGRESS IN THE IMPLEMENTATION OF THE SO-CALLED "SOFT MEASURES", WHICH WERE SUPPLEMENTED IN JULY 2016 IN PARIS AT THE SUMMIT OF THE WESTERN BALKAN COUNTRIES WITHIN THE BERLIN PROCESS, WITH NEW MEASURES AND SUB-ACTIVITIES AND HAVE SINCE BEEN RENAMED INTO MEASURES FOR REFORM OF THE CONNECTION. THE CONNECTION REFORM MEASURES ARE DIVIDED INTO REGIONAL AND NATIONAL MEASURES, THE IMPLEMENTATION OF WHICH IS MONITORED BY THE EUROPEAN COMMISSION.

IN DECEMBER 2020, THE GOVERNMENT ADOPTED **A NEW SINGLE LIST OF PROJECTS (SLP)** WHICH INCLUDES ROAD AND RAILWAY INFRASTRUCTURE PROJECTS DIVIDED INTO THREE PARTS: PROJECTS IN IMPLEMENTATION, MATURE PROJECTS WITH VARYING DEGREES OF MATURITY AND IMMATURE PROJECTS (PROJECTS FOR WHICH PROJECT AND STRATEGIC DOCUMENTATION HAVE NOT YET BEEN PREPARED). THE RANKING IS BASED ON A METHODOLOGY WITH MULTIPLE CRITERIA AND SUB-CRITERIA (PARAMETERS). THE LIST IS USED TO APPLY FOR GRANTS OR LOANS FROM THE EUROPEAN UNION AND OTHER INTERNATIONAL FINANCIAL INSTITUTIONS.

## Current situation

**The Road Corridor X** is a north-south link and connection with Serbia and Greece and further on with the European continent. With the construction of the Demir Kapija - Smokvica section, which ended in April 2018, at a length of 172 km, the entire **road Corridor X** is completed at the level of the highway. The warranty period of the project expired in April 2020.

**Negotino - Demir Kapija.** The rehabilitation is completed and the road was put into use in June 2019.

The construction activities on the **Gradsko - Drenovo** section, in the length of 15.5 km officially started on 22 January 2018. According to the contractual provisions, the construction of the highway was to be completed on 22 January 2020. However, the construction works have not been completed yet, i.e., the total completion status of the project, as of December 2020, is 34.18%. Negotiations are underway for assignation of the contract to another contractor, which will extend the deadline for the project implementation. The Contractor has three damage claims. In order to solve the problem, several meetings were held for the damage claims of the Contractor to be resolved amicably and not to conduct a DAB procedure. Tirrena Scavi SpA and STRABAG AG signed a Protocol on 16 June 2020 for awarding the contract according to sub-clause 1.7 [Award] of the general and special conditions of the contract. On 24 December 2020, the Contract Award Agreement was signed. The financing of the project is through IPA 2 following the Sectoral Operational Programme for Transport (SOPT 2014-2020). In accordance with the contract, the following tasks should be completed: Signing of Annex 1 of the Contract, introduction of a new Contractor, signing of Annex 2 which regulates the extension of the period, i.e., the start date, the end date and other issues relevant to the contract, as well as signing of an Addendum to the supervision contract. Considering that the implementation period under the initial contract has already expired, it was agreed to start the procedure for amendment of the Bilateral Agreement for the main project "Construction of the road section Gradsko-Drenovo junction, as part of the corridor X-d, in parallel with the preparation of the Annexes. To this end, the Ministry of Transport and Communications, in the role of IPA II beneficiary, formally submitted to the EU Delegation a letter for a minor amendment to the bilateral agreement. According to the



EU Delegation recommendations, the CFCD has submitted Annex 1 to the Bilateral Contract with the amendments as an integral part of the Amendment Letter. Annex 1 has already been approved by the EU Delegation and the draft text of Appendix 2 is submitted to the EU Delegation for prior control. Regarding the Supervision Contract, a negotiation process will be conducted for signing of Annex for supervision according to the PRAG rules, including MTV and the PE for State Roads.

**The Rail Corridor X is fully built.** The north-south railway connection, i.e., the connection with the Republic of Serbia and the Republic of Greece, is operational and functional. The Corridor X railway was modernised. Activities for rehabilitation, upgrade and reconstruction of 10 railway stations, including the railway station in Skopje, co-financed by the EU under the OPRD 2007-2013, along Corridor X and the X-d section according to the best EU practices, are finished.

The reconstruction of the **third and last section of Corridor X, Nogaevci - Negotino** (L=30 km), is expected to be completed in 2021 with a loan from the European Bank for Reconstruction and Development (EBRD). In the past period, renovation was performed on sections Tabanovce - Kumanovo (L=12 km) and Miravci - Smokvica (L=12 km). The completion of the works on the three sections will increase the maximum speed limit to 120 km/h, which will reduce the travel time.

To fully complete the works and ensure full functionality of the railway from Bitola to Kremenica, Annex 2 was concluded for additional works that are not included in the basic project and are not part of the basic contract. The project aims to rehabilitate 16 km of the railway line from Bitola to Kremenica, as part of the X-d section. This project will contribute to achieving the OPRD objectives by facilitating and increasing the capacity for connection between North Macedonia and Greece, as well as promoting sustainable development, especially by minimising the negative effects of transport on the environment. The project has a warranty period that ends on 21 December 2020. On 4 March 2021, a meeting of the Steering Committee was held. The main obstacle for completion of the commissioning procedure and, subsequently, for obtaining a "use permit" is the expropriation issue which is still not complete. At the meeting, the representatives of PE for State Roads stated that the expected time for completion of the expropriation process is approximately 1 - 1.5 months. Upon completion of the expropriation process, PE for State Roads should submit a request for issuing of license for use. The final report updated with information on the ongoing process of completion of the expropriation process is expected to be formally submitted by the supervising engineer for approval.

With regards to the project for construction of a joint railway station in **Tabanovce**, the project documents for JBRS were prepared in 2019, and the documentation for access road (for connecting the road and railway stations) will be completed by the second quarter of 2021. The investment grant application (WB-IG04-MKD-TRA-01/EBRD) in the amount of EUR 5.13 million was approved by the WBIF SC (December 2019), deducting 50% of the requested amount. The remaining 50% will be secured as a loan from Corridor 8 Beljakovce-Kriva Palanka in the third quarter of 2021.

In 2019, pre-feasibility studies were prepared for Skopje-Kichevo, GSM-R and ETCS level 1.

**Road Corridor VIII** extends east-west. The section that runs through the Republic of North Macedonia is 304 km long. In terms of **Corridor VIII road**, only 37% has been upgraded at a highway level and there is a need for further upgrading. Sections Skopje-Tetovo-Gostivar, the ring road around Skopje and the Kumanovo-Skopje section are at the level of highway.

A section from Kichevo to Ohrid in length of 57 km: The current progress of the construction works is 76.65%. The signing of Annex 4 to the Agreement for withdrawal of funds from the loan under the Basic Agreement with a deadline of 31 December 2021 is in progress.

In the annual programme of the PE State Roads for 2021, national funds are provided for expansion of the road section Tetovo-Gostivar with an additional lane in both directions.

The **railway Corridor VIII** will provide a direct railway connection between the Republic of North Macedonia and the Republic of Bulgaria, access to their ports and an alternative transport opportunity for the Macedonian companies compared to the current road connection.

Reconstruction of the railway section from Kumanovo to Beljakovce (30.8 km) is with a loan from EBRD and is currently in progress. In December 2014, an EBRD loan of EUR 145 million was granted for construction of a new and reconstruction of the existing railway section from Beljakovce to Kriva Palanka (34 km). At the Trieste Summit (July 2017) a grant of EUR 70 million was awarded for this section. The procedure for selection of a contractor in the pre-qualification phase was completed in December 2019. For the section from Kriva Palanka to Deve Bair border with Bulgaria, all project documentation was prepared in December 2017. In the Sector Operational Programme for Transport 2014-2020, within the IPA 2 instrument, in the part for improvement of the railway

infrastructure, IPA grant funds are indicatively allocated for supplementing the financial construction for building of the railway section from Kriva Palanka to the border with the Republic of Bulgaria, in the amount of EUR 60,765,000.00. Regarding the other funds for the project, in the amount of about EUR 340 million, a positive opinion has already been submitted to the Ministry of Finance by the EBRD and the EIB for securing these funds in the form of a loan, on 6 May 2019. The total investment value of the project is estimated at around EUR 400 million. For the part of the financial construction that will be covered with IPA 2 funds, an IPA application was prepared and submitted to the EU Delegation and the European Commission on 21 January.

### Institutional framework

The Sector for European Union in Ministry of Transport and Communications consists of four units: Unit for Negotiation and Integration, Unit for IPA Monitoring, Unit for IPA Planning and Preparation of Project Documentation and Unit for Implementation of Other International Investments. The Sector has 11 full-time employees.

Competent institutions for implementation of the projects from the Trans-European Transport Networks are the Ministry of Transport and Communications, the Public Enterprise for State Roads, the PE Macedonian Railways (MZ) Infrastructure-Skopje and the Ministry of Finance. The training needs of the representatives of the IPA funds departments (IPA structure) are assessed every two years and the completed questionnaires are submitted to the SEA. For the rest of the institutional framework, see Chapter 3.14 Transport Policy.

## Short-term priorities

### ROAD CORRIDOR X, I.E. SECTION 'D' OF CORRIDOR X.

- The construction activities on the **Gradsko-Drenovo** section in the length of 15.5 km officially started on 22 January 2018, however, the construction works have not been completed yet. The realisation status of the project, as of December 2020, is 34.18%.

### MODERNISATION OF THE RAILWAY CORRIDOR X

- Construction of a joint railway station in Tabanovce: The investment application for grant funding (WB-IG04-MKD-TRA-01/EBRD) in the amount of EUR 5.13 million was approved by the WBIF SC (December 2019), deducting 50% of the requested amount. The remaining 50% will be secured as a loan from Corridor 8 Beljakovce-Kriva Palanka in the third quarter of 2021.
- Rehabilitation of the third and last part of Corridor X, Negotino - Nogaevci (L=30 km). The contract has been terminated. The EBRD is currently considering alternatives for completing the works. The construction works on the tenth railway station in Gevgelija are over 90% completed.

### COMPLETION OF THE RAILWAY CORRIDOR VIII

- Reconstruction of the railway section from Kumanovo to Beljakovce (30.8 km). The contract for construction works for reconstruction of the railway section from Kumanovo to Beljakovce (30.8 km), which is financed with a loan from EBRD loan, was terminated.
- Railway section Beljakovce - Kriva Palanka: For the railway section Beljakovce - Kriva Palanka, the contractor selection process was terminated in the 4th quarter of 2020.
- Railway section Kriva Palanka-Border with the Republic of Bulgaria. The IPA application was finalised and submitted to the EU Delegation and the European Commission on 21 January. The contract for works was signed by PE Macedonian Railways – Infrastructure on 25 November 2020. The allocated grant funds in the amount of EUR 60,765,000.00 and completion of the project must be done by 2025, following the H+5 rule. The indicative

time frame for realisation of the construction works for the railway section from Kriva Palanka to the border with Bulgaria is 48 months.

## Institutional framework

In 2021, two promotions and two new employments are planned in the Sector for European Union following the Annual Employment Plan of the Ministry of Transport and Communications for 2020.

In the medium term, new employments and promotions are planned in the Sector for European Union of the Ministry of Transport and Communications, in order to achieve fully decentralised management of EU funds, including training for the employees according to their needs.

## Medium-term priorities

### Programmes and projects

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#### ROAD CORRIDOR X, I.E., SECTION 'D' OF CORRIDOR X.

- Section from Drenovo to Farish (construction of a 10 km expressway, financed by the European Bank for Reconstruction and Development). The contract started in May 2016 but was terminated in August 2019. The new tender was announced in September 2020 and is expected to be signed in the first quarter of 2021. Construction of a road section at the level of expressway from Prilep to the bridge on Lenishka Reka and construction of a third lane on the road section from Belovodica to the Mavrovo quarry. The project documentation is ready. The project will be implemented with funds from IPA 2. The estimated value for this implementation is around EUR 9 million (includes the construction works and supervision). Considering that a highway solution is planned from Prilep to Bitola, there is a need to integrate the planned highway with a new expressway from Lenishka Reka to Prilep. Due to that, the idea of expanding the existing road from Lenishka Reka to Prilep was abandoned and redesign of part of the new expressway with a junction that will connect it with the future highway Prilep – Bitola is ongoing. The tender for construction works is expected to be announced in May.

- Replacement of protective fences according to EN standards on the 100 km highway of Corridor X (2020-2021) Consultations are underway between PESR and the Faculty of Civil Engineering in order to confirm the sections where it is most appropriate to install an elastic road fence. The main objective of this project is to improve road safety by replacing the protective fences along the main regional network of Southeast Europe and to support the development of the road infrastructure along Corridor X.
  - Road Safety Project (September 2020-2023): The project includes technical assistance, preparation of technical documentation and implementation of measures to improve road safety – OIS, and was approved on 27 December 2019. The project aims to improve the traffic safety on specific sections of the road and to reduce the number of traffic accidents and the number of fatalities and injured persons. PESR is preparing a tender dossier for the first contract under this project.
  - Introduction of Intelligent Transport System (ITS) along the Corridor 10 - The documentation for this project was prepared and revised in terms of compliance with the European directives and experiences in the field of intelligent transport system and a final report was submitted in 2019. The ITS Implementation Project is planned to be financed with funds from the World Bank through the Western Balkans Trade and Transport Facilitation Project (WBTTFP). In January 2020, it was handed over to the newly established Project Implementation Unit (PIU) at the Ministry of Transport and Communications, which will take further care of the implementation of this Project. During the implementation, it is planned to meet the legislative requirements of Directive 2004/54 minimum safety requirements for tunnels, Directive 2010/40 on Intelligent Transport Systems and the Action Plan for Implementation from the ITS Directive (EC 2011/289).
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### MODERNISATION OF THE RAILWAY CORRIDOR X

- Construction of a joint railway station in **Tabanovce**: It is planned to start the construction works, after conducting a procedure for selection of a contractor, following EBRD rules.
  - Procurement and installation of signalling for railway crossings along Corridor X (2020-November 2022).
  - Preparation of project documentation for improvement of the railway network along Corridor X, section X-d (2020-2022).
  - Preparation of a Feasibility Study for a multimodal cargo node in the region of Skopje, together with a tender procedure for preparation of project documentation for a multimodal node in **Trubarevo**, which will be financed within the EU funds - IPA2 programme. A 'contract notice' has been published for this project, and pre-qualification of the bidders is in progress. After this, the pre-qualified companies will be invited to submit bids, after which the company that will prepare the above documentation will be selected.
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### MODERNISATION OF ROAD CORRIDOR VIII

- Section from **Kichevo to Ohrid** in length of 57 km: construction works for building of a highway are underway, which started in May 2014. The current progress of the construction works is 76.65%. The following Annexes to the Basic Contract have been signed: Annex 1 to the contract for extension of the deadline until 30 June 2021; Annex 2 to the contract for utilisation of the remaining funds from the Basic contract in accordance with the required order of performance of works and establishment of functional units until the provision of additional funds; and Annex 3 to the contract for additional works necessary for full completion of the project. The signing of Annex 4 to the contract for withdrawal of funds from the loan under the Basic contract with a deadline of 31 December 2021 is in progress.
- The construction of a new highway from **Gostivar to Kichevo** with a length of 42 km, is divided into 3 sections:
- for the section from **Kichevo to Bukojchani**, a basic design is being prepared and will be completed by the end of 2020 in accordance with the national legislation and the EBRD procedures.



- for the section **Bukojchani - Gorna Gjonovica** design funds are provided by VBIF. At this moment, the terms of references include a requirement to prepare only Preliminary Design due to the sensitivity of the section from an environmental aspect.
- for the section **Gorna Gjonovica - Gostivar**, EUR 2 million have been provided through VBIF for preparation of a basic design. The terms of references have been harmonised, approval is pending for the start of the design in the frames of VBIF.
- The road section from **Kumanovo to Stracin** (first phase) is planned to be rehabilitated with EU funds within the Sectoral Operational Programme for Transport 2014-2020. The section is 32 km long, out of which 16 km will be financed by EU funds within the Sectoral Operational Programme for Transport 2014-2020, and the rest from the budget of PESR. The evaluation of bids is underway.
- The section from **Rankovce to Kriva Palanka** in the length of 26 km is divided into two sub-sections: Rankovce (Chatal) to Dlabochica in the length of 14 km, and Dlabochica - Kriva Palanka in the length of 9 km. An agreement worth EUR 28.1 million was concluded for the first section with a deadline of 30 months. For the second section, an agreement was signed for EUR 30.4 million with a construction deadline of 36 months. These projects are funded by the World Bank. Current progress of the construction works on the section Rankovce (Chatal) to Dlabochica in the length of 14 km is 23%, and Dlabochica - Kriva Palanka in the length of 9 km is 24%.
- The section from **Kriva Palanka to the Republic of Bulgaria**, which is 13 km long, started to be built with a loan from EBRD. A contract worth EUR 10.16 million was signed with the contractor Granit. The deadline for completion of the section is 24 months.

#### COMPLETION OF THE RAILWAY CORRIDOR VIII

- Reconstruction of the railway section from **Kumanovo to Beljakovce** (30.8 km). The construction of this section is planned to be completed in 2021.
- Regarding the railway section **Beljakovce - Kriva Palanka**, it is planned to start the construction works at the beginning of 2021. For the railway section Kriva Palanka-Deve Bair, the indicative time frame for the realisation of the construction works is 48 months.

### Long-term priorities (2024-2025)

#### COMPLETION OF THE RAILWAY CORRIDOR VIII

- The construction works for the railway section **Beljakovce – Kriva Palanka** are expected to finish by 2025.
- The indicative time frame for realisation of the construction works for the railway section **Kriva Palanka – border with Bulgaria** is 48 months.

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109 National Transport Strategy 2018-2030  
<http://www.mtc.gov.mk/media/files/2019/NTS-final%20MK.pdf>

### Programmes and projects

In terms of activities for implementation of the **Transport Community Treaty**, the Existing Secretariat of the Transport Community is being staffed. It is necessary to strengthen the capacities (mobilisation of resources and administrative capacity) in the Ministry, as well as in other institutions that will participate in the implementation of the provisions of the Treaty. In accordance with Article 40 of the Treaty, in order to apply the rules of the Protocol on transitional arrangements and the corresponding periods (the so-called first phase), an assessment mission will be carried out by the European Commission for which a large number of responsibilities will have to be met and administrative capacities should be properly prepared for that. The budget for 2021, just like in previous years, foresees funds for contribution of the Republic of North Macedonia as a signatory country in the budget of the Transport Community for 2021.

Within the Operational Programme for Regional Development, a National Transport Strategy (2018-2030) was developed<sup>109</sup> within which indicators have been prepared that will be used as a tool for assessing the progress towards achievement of the objectives

envisaged in it. In that regard, the Ministry of Transport and Communications, as an entity responsible for monitoring of the implementation of the National Transport Strategy 2018-2030, will be collecting data on annual basis data from the competent institutions, which will further serve as a basis for preparation of the Annual Progress Report in terms of achievement of the objectives from the NTS 2018-2030 and shall submit this report to the Government and all relevant institutions.

The National Transport Strategy 2018-2030 contains an indicative Implementation Plan, which includes 104 activities, as well as a total indicative budget for the period until 2030.

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# ENVIRONMENT AND CLIMATE CHANGE

## Findings and recommendations from the EC 2020 Report

The country is at **some level of preparation** in this area. **Limited progress** was achieved in nature protection, civil protection and climate change areas. However, implementation in all sectors is still lagging behind.

In the coming year, the country is encouraged to considerably step up ambitions towards a green transition and should in particular:

- ▶ improve inter-sectoral coordination and increase financial resources for reduction of air pollution at the local and national level;
- ▶ set up an integrated regional waste management system;
- ▶ implement the Paris Agreement, including by developing a comprehensive climate strategy and adopting a law, consistent with the EU 2030 framework, and develop a National Energy and Climate Plan, in line with Energy Community obligations.



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# HORIZONTAL LEGISLATION

THE HARMONISATION WITH THE EU LEGISLATION WILL CONTINUE REGARDING THE HORIZONTAL LEGISLATION, AS PRESENTED AT THE EXPLANATORY MEETING 2019, THAT IS, THE FOLLOWING ACTS WILL BE ADOPTED: LAW ON ENVIRONMENT, LAW ON ENVIRONMENTAL INSPECTION, NEW CRIMINAL CODE WITH STRENGTHENED PROVISIONS IN THE PART OF SANCTIONING ENVIRONMENTAL VIOLATIONS, SET OF WASTE-RELATED LAWS AND SPECIAL WASTE STREAMS. THE NECESSARY INVESTMENTS FOR IMPLEMENTATION OF THE ENVIRONMENTAL LEGISLATION WILL BE ASSESSED IN ORDER TO IMPROVE ENVIRONMENTAL INVESTMENTS AND AN **ENVIRONMENTAL INVESTMENT STRATEGY AND A NATIONAL STRATEGY FOR ENVIRONMENT AND CLIMATE ACTION WILL BE ADOPTED**. A SYSTEM OF INSPECTIONS WITH A LEGAL FRAMEWORK BASED ON PLANNING IN ACCORDANCE WITH THE ESTABLISHED CRITERIA FOR RISK ASSESSMENT WILL BE ESTABLISHED. THE BUILDING OF THE ADMINISTRATIVE CAPACITIES IN THE AREA OF ENVIRONMENT AND CLIMATE CHANGE WILL CONTINUE.

A REFORM OF THE CIVIL PROTECTION SYSTEM WILL BE IMPLEMENTED TOWARDS THE ESTABLISHMENT OF A SINGLE NATIONAL CIVIL PROTECTION SYSTEM IN ACCORDANCE WITH THE RECOMMENDATIONS OF THE EC ASSESSMENT MISSION IN THE COMING PERIOD IN THE AREA OF CIVIL PROTECTION.

IN THE AREA OF CLIMATE CHANGE, THE MAIN FOCUS WILL BE THE ADOPTION OF A **STRATEGY AND LAW ON CLIMATE ACTION, AS WELL AS A NATIONAL CLIMATE AND ENERGY PLAN**. ACTIVITIES WILL BE CARRIED OUT IN ACCORDANCE WITH THE REQUIREMENTS OF THE PARIS AGREEMENT. THE GREEN AGREEMENT DECLARATION WILL ALSO BE INTEGRATED INTO THE POLICIES OF THE COUNTRY.

## Current situation

- A new Law on Inspection Supervision was adopted (Official Gazette No. 102/2019). Some of the provisions that were regulated by the **draft text of the Law on Environmental Inspection** are now regulated in the new Law on Inspection Supervision. In that regard, the text of the draft Law on Environmental Inspection is being harmonised with the new text of the Law on Inspection Supervision.
- The **Aarhus Centre was opened in Skopje** in November 2020 regarding the progress in fulfilling the obligations under the Aarhus Convention. It was established with funds from European funds. The MoEPP and the Aarhus Centre signed a Memorandum of Cooperation in order to improve the public information, to facilitate the public involvement in the decision-making and provide access to justice.
- The activities for conducting supervision over the work of some of the local self-government units continued in accordance with the adopted Supervision Plan for 2020. Fifteen municipalities, mainly smaller and rural ones, were supervised by submitting an initially prepared questionnaire. The questionnaire was answered with data, statistics and attached documents. Reports were prepared based on the answered questionnaire that included recommendations for further action of the municipalities in the implementation of the legislation in the area of environment.
- The MoEPP regularly collects, processes and reports data and information obtained through the monitoring network for media in the environment and areas - air, water, noise, soil and waste.
- The state of the environment is regularly reported to the European Environment Agency (EEA). The country has the status of a partner country and is part of the working groups of the Agency. It is of particular importance that our experts are participating in the regular meetings of the working groups of the Agency.
- Activities for preparation of a Report on the state of the environment with indicator approach are in progress, which will simultaneously update and supplement the environmental indicators and the Annual Report from processed data on the quality of the environment. It is expected to be adopted by the Government and published on the website of the Ministry.



- Activities are ongoing for implementation of the IPA project "Development of environmental monitoring and information system", which is implemented through the IPA 2 programme of the European Union.
- The activities of the GLOBE Programme are continuously implemented. The implementation of the RIPZ Strategy 2016-2020 continued in 2020. There are also continuous activities for updating of the Cadastre of pollutants (air, water, noise) and the Register of discharge and transfer of pollutants.
- IPA 2 Project for implementation and planning for approximation in priority areas of the environment is in the tender procedure.
- The Climate Change Action Plan was adopted as a part of the NATO Agenda 2030 aimed at significantly reducing greenhouse gas emissions from military activities and installations.

## STATE ENVIRONMENTAL INSPECTORATE

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- Out of the total planned 868 regular inspection supervisions in the first half of 2020, only 749 regular inspection supervisions were carried out due to the COVID-19 pandemic. Additional 126 extraordinary and 72 control inspection supervisions were realised in this period, that is, a total of 947 inspection supervisions were realised in the first six months.
- Two reports are prepared: Semi-annual and Annual Report on the work of the SEI pursuant to the Law on Inspection Supervisions. The first Semi-annual Report on the work of the SEI for 2020, prepared according to the new rulebook, was approved by the Inspection Council and was published on the website of the SEI for informing of the public. The annual report for the whole of 2020 has been prepared, approved by the IC and published on the SEA website.
- Supervisions were carried out at all entities in the last quarter of the year with the beginning of the winter/heating season under the jurisdiction of the SEI that emit air emissions and work with A-IPPC integrated environmental permits, that is, with DUOP - Permits for compliance with the operational plan, as well as

Environmental Elaborates approved by the MoEPP.

- The coordination with the local municipal environmental inspectors on the territory of the entire country is especially important during this period due to the weak administrative capacity for implementation of the legislation in the area of environment at the local level by the authorised environmental inspectors.
- The international cooperation of SEA in European networks, projects and other events continued throughout the year. In addition, SEA, together with the Europol Department of the Ministry of Interior and the Customs Administration participated in an operational action called Retrovirus for fight against environmental crime related to medical waste, where SEI conducted 46 inspection supervisions in the period April-August and prepared 5 sanctions - fines/payment orders to legal entities and responsible persons in the legal entities.

## HYDROMETEOROLOGICAL SERVICE (HMS)

- UNDP Project was started in 2020: Integrated climate-resilient transboundary flood risk management in the Drim River basin in the Western Balkans, in order to better involve stakeholders in the Drim River Basin in the Western Balkans region in flood risk management.
- The Sector for Hydrology at the HMS continued the activities relevant to the second GIZ Project: Adaptation to Climate Change in Transboundary Flood Risk Management in the Western Balkans (CCAWB II), especially in terms of implementation of the Panta Rei water forecasting software in the Drim River basin. A computer was procured for better realisation of the activities regarding the PantaRei software and additionally two monitors were provided for better presentation of the forecasts and graphic presentations and maps, including a Server was obtained for the new software package that will support the ICON Prediction within the project.
- The Sector for Hydrology at the HMS continued with the use of the equipment that was obtained in the framework of the UNDP project: Improving the resistance to floods in the Polog region, which was installed at the following

stations during the year: Balin Dol, Raven, Radiovce, Sarakjino, Orkjushe, Bogovinje, Elenskok, Lakavica, Negotino (Polog), Volkovija (Nichpurska). The Sector for Meteorology installed automatic meteorological stations in Gostivar and automatic rain metering stations in Stenche, Korito, Dobroshte and Jegunovce within the same project. The CLIDATA climatological database was upgraded.

A total of 29 improvements were realised within the MoEPP in 2020 and in the bodies within, in different sectors, as follows: Sector for Industrial Pollution and Risk Management (1), Sector for Water (3), Sector for Environment (1), Sector for Nature (4), Sector for EU (6), Sector for Financial Affairs (2), Sector for Physical Planning (1), Sector for Sustainable Development and Investments (3), Sector for Legal and General Affairs (5), Sector for Cooperation with Local Self-Government and Administrative-Supervisory Affairs (1), Sector for Strategic Planning (1), Spatial Information System Service (1).

## Short-term priorities

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### Legal framework

- A **Law on Environmental Inspection** will be adopted in order to introduce inspection supervision which will be performed on the basis of a previous multi-year planning of environmental inspection supervision at central and local level, based on established criteria for risk assessment that the entities for environmental monitoring have.
- During this period, it is planned to adopt a new **Law on Environment** which will revise the existing Law on Environment through transposition of a corpus of EU measures such as 32001L0042, 32003L0004, 32003L0035, 32004L0035, 32011L0092 and 32014L0052. Improvement of procedures for SEA and EIA is foreseen in the new Law on Environment.
- A new **Criminal Code** is planned to be adopt, which will be additionally harmonised with the Environmental Crime Directive 32008L0099.
- Adoption of the **Environmental Investment Programme for 2022** is envisaged in accordance with the Law on Environment.

- Adoption of a **National Plan for dealing with desertification and mitigation of the effects of drought** is envisaged.
- **National Plan for environment inspection** will be prepared after the adoption of the Law on Environmental Inspection, which will enable multi-year planning of the environmental inspection.
- The activities for implementation of the IPA project "Development of environmental monitoring and information system" will continue during 2021. The project envisages preparation of **National Environmental Monitoring Strategy** with Action Plan, National Environmental Monitoring Programme, as well as establishment of a **National Environmental Information System**.
- The activities for preparation of the Report on the state of the environment using indicator approach will continue during 2022. This Report simultaneously updates and supplements the environmental indicators and the Annual Report from the processed data on the quality of the environment.
- The Environmental Statistics publication will be prepared in cooperation with the State Statistical Office.
- The cooperation with the European Environment Agency will continue during 2021 by submitting relevant data and participating in the work of the working groups of the Agency. The activities of the GLOBE Programme will be implemented continuously.
- Activities for updating of the Pollutants Cadastre (air, water, noise) and the Pollutant Release and Transfer Register (RIPZ) will continue.
- The supervision of the local self-government units will continue.
- The e-system for document management produced from inspection activities and the module for electronic archiving of documents in the State Inspectorate of Environment will be operational.
- The IPA 2 Project for Implementation and Planning for Approximation in Priority Areas of Environment will be launched, in which Environmental Investment Strategy and National Strategy for Environment and Climate Action will be prepared. Detailed plans for implementation of directives in the area of environment which require large financial resources will be prepared, as well as a Plan for strengthening of the administrative capacities for environmental management. Activities will be carried out for strengthening the capacity of the

MoEPP to prepare accession and negotiation documents for Chapter 3.27 Environment and Climate Change.

- The IPA Project Support to the Implementation of Horizontal Legislation will start with implementation. The project will carry out activities for analysis of the national legislation that regulates the environmental impact assessment procedure and the procedure for strategic environmental impact assessment, by analysing their implementation, as well as better implementation of the public consultation process. A **new Draft Law on Environment** will be prepared in which the directives of the horizontal legislation will be transposed.
- The HMA will continue to set up and maintain a permanent hydrological database. The remaining monitoring network of hydrological stations of surface and groundwater will be modernised. The HMA will apply in the INTERREG III project in order to obtain funds from the cross-border programme necessary for improved water monitoring in the lower part of the Vardar River basin.
- The upgrading and maintenance of the network of rivers and groundwaters will continue.
- The following activities of the Aarhus Centre and the MoEPP are planned: analysis of data on the implementation of the Aarhus Convention obtained from local and state institutions and from NGOs working in the area of environment; preparation of a National Report on implementation of the Aarhus Convention; and facilitation of the public access to the public hearing process; education of civil servants and local administration on the implementation of the three pillars of the Aarhus Convention.

## Institutional framework

SEI plans new employments in 2021 that will include advisors-inspectors and junior inspectors for environment, nature and water economy, one junior inspector for nature protection and one junior inspector for water management. A total of 10 new employments.

The MoEPP will prepare a Plan for strengthening the administrative capacities for environmental management (within the IPA 2 project). In 2021, strengthening the administrative capacity of the MoEPP on IPA issues is planned with 12 new employments and 1 promotion in the Sector for EU.

## Medium-term priorities

- During this period, an **Environmental Investment Strategy** and a **National Strategy for Environment and Climate Action** will be adopted. **Detailed plans for implementation of** environmental directives that require large financial resources will be prepared, including a Plan for strengthening the administrative capacities for environmental management. Activities will be carried out for strengthening the capacities of the MoEPP for preparation of accession documents and negotiations on the environment chapter.
- The activities for adoption of the **Environmental Investment Programme** on an annual basis in accordance with the Law on Environment will continue during this period.
- Conducting of supervision over the local self-government units by the Ministry of Environment and Physical Planning is planned in the next calendar year.
- The cooperation with the European Environment Agency will continue during this period by submitting relevant data and participating in the work of the working groups of the Agency.
- The activities for preparation of a Report on the state of the environment using an indicator approach continue. This Report will simultaneously update and supplement the Environmental Indicators and the Annual Report from processed data on quality of the environment.
- Activities for preparation of Environmental Statistics will be carried out in cooperation with the State Statistical Office during 2023 and 2025.
- The activities of the GLOBE Programme will be continuously implemented.
- Activities for updating of the Cadastre of pollutants (air, water, noise) and the Register of discharge and transfer of pollutants (RIPZ) will be continuously implemented.
- The IPA Project Support for Implementation of Horizontal Legislation will be completed.
- HMS will be working on the following: development of a network of automatic meteorological stations (AMS) for upgrade of the existing system based on the integration of technical and software components, which is in accordance with the guidelines and recommendations of the World Meteorological Organisation; repair or replace the obsolete radar systems in Gjurishte and

Topolchani; installation of automatic meteorological stations at all major meteorological stations, climatological and rainfall stations in order to gradually replace the traditional measurements with the AMC measurements; installing AMC outside the existing meteorological network; establishment of a laboratory for control, maintenance and calibration of meteorological instruments and AMC sensors; maintenance; digitisation of basic climatological data and information; use of GIS format for showing climate conditions for different parameters; strengthening of computer (hardware and software) resources used for preparation of seasonal forecasts for the territory of the country. Translation and harmonisation of the guidelines of the World Meteorological Organisation. Accreditation of a laboratory for determination of pollutants in water. Establishment of a Climate Services Information System for the needs of generation, protection and distribution of climate data and information arising from the obligations in accordance with the conclusions of the Extraordinary Session of the World Meteorological Congress in 2012 for establishment of GFCS (Global Framework for Climate Services).

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## CIVIL PROTECTION

### Current situation

- Dealing with COVID-19: a state of emergency has been declared across the country in November 2020 in order to protect public health in the face of a pandemic caused by the COVID-19 virus declared by the World Health Organisation. The General Staff for Crisis Management has been activated, headed by the Director of the Crisis Management Centre. Members of this Centre are the Director of the Directorate for Protection and Rescue and representatives from the Ministry of Health, Ministry of Interior, Ministry of Transport and Communications, Ministry of Foreign Affairs, Ministry of Labour and Social Policy, the Red Cross, the Intelligence Agency, Ministry of Defence, the Army, the Directorate for Security of Classified Information and others. All relevant institutions have made their capacities available for dealing with the pandemic. The army is involved in dealing with the



crisis in support of the health institutions. An Action Plan for Prevention has been adopted, which contains appropriate measures for respecting the adopted protocols, as well as an increased number of activities in terms of the education-prevention campaign in the media.

- The Directorate for Protection and Rescue (DPR) activated the **European Civil Protection Mechanism** on 23 March 2020. The DPR coordinated and implemented activities related to facilitation of customs procedures for entry into the country, receipt, storage and distribution of aid in cooperation with relevant national institutions during the pandemic. The DPR submits epidemiological data, obtained from the Ministry of Health, to the Emergency Response Coordination Centre (ERCC) on a monthly basis, as a part of the Civil Protection Mechanism.

## Reform of the Area of Civil Protection

- An analysis of the **reforms of the system for protection and rescue and for crisis management** is ongoing. The Ministry of Defence is the body appointed with the conclusion of the Government<sup>110</sup> to coordinate the working group for the implementation of the reforms. The working group is in charge of analysing the Report of the EU Peer Review mission realised during 15-25 October 2018 and preparing a Plan with dynamics for implementation of its recommendations. A disaster response capacity assessment workshop was organised by the Department of Defence and the US Army Corps of Engineers in March 2020, as a part of the Civil-Military Emergency Preparedness Programme for 2020. The final estimate was presented in September 2020. This estimate also analysed the set-up status and provided recommendations for overcoming of weaknesses and disaster preparedness activities: the national response system; disaster management operational capabilities; the ability of the MoD/Army to support civilian institutions; the ability to support each other in disaster response; the accepted strategic partnerships; the risk and disaster assessment; national drill plans; planning; GIS; crisis/strategic communications; and dealing with large-scale consequences/victims.
- A project was started in 2020 for the development of **National strategy for Protection and Rescue**, implemented by the World Bank and funded through IPA under the Disaster Risk Management Programme

<sup>110</sup> Conclusion of the Government, No. 45-8447/1 from 24 December 2019.

for the Western Balkan countries. This Programme aims at advancing the disaster risk management agenda in the region by supporting activities that will provide a better understanding of disasters and climate risks and, further, identification of the necessary investments. This is the first mission of this Programme in North Macedonia. The project aims to strengthen the disaster management system and review the key accompanying national plans and assessment documents, using a modified approach in order to deal with the challenges posed by the COVID-19 pandemic. The Directorate for Protection and Rescue is the carrier of the activity and is responsible for implementation of the project, which should be completed in August 2021.

- The Directorate for Protection and Rescue started an operation for destruction of 12,300 pieces of unexploded ordnance - 75mm artillery shells left over from the First World War, found in the central city area of Bitola. The operation is carried out by pyrotechnicians from the DPR, the Ministry of Interior and the Army, at the Krivolak military range. The EU Delegation and other international partners have been informed about this event, and there are already negotiations taking place with them aimed at support and further development of this segment of civil protection, as well as the use of the TAIEX instrument.
- A **National Disaster Risk Reduction Platform** has been established in order to improve the disaster mitigation and response.
- The Directorate for Protection and Rescue **regularly participates in the meetings of the EU Civil Protection Committee**, such as: participation in the 45th Meeting of the Directors of EU Civil Protection and Partner countries, under the auspices of the German Presidency of the Council of the EU; regular participation in coordination meetings of the EU civil protection authorities and partner countries, organised by the Emergency Response Coordination Centre - ERCC.
- The Directorate for Protection and Rescue (DPR) worked on establishment of bilateral cooperation in the area of civil protection during 2020 with: Agency for Disaster Management and Emergency Management - AFAD of the Republic of Turkey; the NATO Centre for Excellence in Crisis Management and Disaster Response, based in Sofia, Bulgaria, as well as with the Russian Federation.

- **The National Coordinator for Implementation of the National Platform for Accident and Disaster Risk Reduction** (National Coordinator) has a role to monitor the implementation of the National Platform for Accident and Disaster Risk Reduction, to study and analyse the systemic set-up of the crisis system and to propose solutions for ensuring greater effectiveness and efficiency. At the same time, in cooperation with the entities of the crisis management system, it has the task to prepare a three-year action plan for developing and strengthening the capacities of the crisis system and strengthening of resilience, as well as implementation of international standards and fulfilment of the UN obligations.

The **fourth revised National Platform in line with the Sendai Action Framework priorities for 2015-2030** was adopted. All relevant institutions are working on the full implementation of the National Platform, as well as on the implementation of the priorities of the Sendai Action Framework, which is a comprehensive document and a legally based instrument with achievable disaster risk reduction objectives.

Specific action priorities are: understanding of the disaster risks, strengthening of the disaster management process, investing in risk reduction and increasing disaster preparedness and effective response. Seven global objectives have been agreed for the purpose of supporting the assessment of the global progress in achieving the result and objective of the **Sendai Framework**:

1. Reduction of disaster fatalities on global level;
2. Reduction of the number of people affected globally by 2030, in order to reduce the average global number to 100,000 between 2020-2030, compared to 2005-2015;
3. Reduction of the economic loss from a direct catastrophe in terms of the global gross domestic product by 2030;
4. Reduction of the damage caused by critical infrastructure disaster and disruption of the basic services, including health and education facilities, as well as development of their adaptability by 2030;
5. Increase of the number of countries with national and local strategies to reduce disaster risks by 2020;
6. Strengthening of the international cooperation with the developing countries through adequate and sustainable support that should complement their national activities for implementation of the framework by 2030;
7. Increased availability and accessibility to multiple early

warning systems from danger and information and assessments of disaster risks for the people by 2030.

The National Coordinator has established a team with representatives from all relevant institutions that will work on collection and submission of the necessary data and information for the **electronic system for monitoring of implementation of the Sendai Action Framework**. In addition, online training on data entry in the Sendai monitoring system was conducted in cooperation with the UN Office, regarding accident and disaster risk reduction.

## Short-term priorities

- The Inter-Ministerial Working Group will continue to work in 2021 on the guidelines and recommendations given in the **Report of the peer review mission** in 2018 and in the **Assessment of the readiness of the capabilities/capacities of the Republic of North Macedonia for disaster response**, prepared by CMEP experts from the USA (who are also NATO experts), in order for the working group to have final insights that will be also presented to the Government in order to select the most appropriate model for reform of this area.
- A **Law on Civil Protection and Rescue** is envisaged for adoption, which will be harmonised with the European legislation, including the Decision 32013D1313 of the Civil Protection Mechanism and with the Decisions for implementation of Directives 32014D0762, 32018D0142, 32019D0570. A request for support is planned in terms of preparing a legal analysis for transposition of these measures in the Law on Protection and Rescue.
- Connection is envisaged with the **Common Emergency Communication and Information System (CECIS)** of the EU Civil Protection Mechanism by the end of 2021.
- A **National Strategy for Protection and Rescue** will be adopted, which is being developed within the project implemented by the World Bank and financed through IPA.
- The National Coordinator for implementation of the National Platform for Disaster Risk Reduction will proceed towards preparation of an **Action Plan for implementation of the National Platform for Disaster Risk Reduction** in cooperation with other entities of the crisis system. The purpose of the Action Plan is to

improve, develop and strengthen the crisis system. This Plan should encourage the planning, leadership, management, monitoring and evaluation of all activities and measures taken to reduce disaster risks, as well as to build harmonisation between the entities responsible for disaster risk reduction, the sustainable development and the environmental aspects. The action plan is a summary of all projects of the entities of the crisis system, defining the activities, stakeholders and deadlines for their implementation. The action plan is adopted by the Government every three years.

- The DPR will seek support through TAIEX during 2021 in order to prepare an assessment and mapping of risks of natural and technical-technological disasters in North Macedonia, with an emphasis on the areas that are most polluted with unexploded ordnance that are left overs of the First and Second World War, as well as training of pyrotechnicians for finding and destroying of unexploded ordnance and other explosive devices.

## Medium-term priorities

Reforms are planned to be implemented in the area of civil protection in this period through an appropriate legal solution.

The National Strategy for Civil Protection, the Action Plan for Implementation of the National Platform for Disaster Risk Reduction and other strategic documents in this area will also be implemented.

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111 Official Gazette No. 152/2019

112 Official Gazette No. 34/2020

# CLIMATE CHANGES

## Current situation

- The Assembly ratified the **Doha Amendment to Kyoto Protocol and UNFCCC**<sup>111</sup> and adopted the Law on Ratification of the **Kigali Amendment to the Montreal Protocol**<sup>112</sup>.
- The first draft **Law on Climate Action and Strategy on Climate Action** has been prepared within the IPA project, and they are being consulted within the project steering committee. The provisions of the Law will establish a mechanism for monitoring of the greenhouse gas emissions in accordance with the EU

Regulation No. 525/2013 on monitoring mechanism and its implementing provisions. A plan has also been prepared to strengthen the administrative capacity for climate change. Administrative capacities are also strengthened in line with the EU approach towards achieving low carbon growth and development, and the public awareness is being raised.

- The country is the first party to the Energy Community to integrate the five pillars of the EU energy policy, which integrates a non-energy and climate approach, into the **National Energy Development Strategy by 2040**. The Strategy directly inserts the scenarios for mitigation of greenhouse gas emissions in the energy development. The green scenario from the adopted National Energy Development Strategy, upgraded with additional analyses in non-energy areas from the **Third Biennial Climate Change Report**, is at the heart of the preparation of the revised **National Defined Contribution** to the Paris Agreement, the **Integrated Energy and Climate Plan**, and the draft Long-term Climate Action Strategy. The Revised **National Defined Contributions** to the **Third Biennial Climate Change Report** was adopted by the Government in 2021. The adoption of the revised National Defined Contribution to the Paris Agreement is also in line with the conclusions of the 16th and 17th Subcommittees on Transport, Environment, Energy and Regional Development, and the findings of the 2020 EC Progress Report. The National Report on Greenhouse Gas Inventory until 2016 has been prepared within the Third Biennial Climate Change Report.
- Preparatory activities for drafting of terms of references for National Adaptation Plan within the Green Climate Fund (GCF) mechanism have started.

## Short-term priorities

- A **Law on Climate Action** will be adopted during this period, which will transpose the following EU measures: 32013R0525 on a mechanism for monitoring and reporting greenhouse gas emissions and for reporting other information at national and Union level relevant to climate change; 32014R0666 establishing substantive requirements for a Union inventory system and taking into account changes in the global warming potentials and internationally agreed inventory guidelines; 32014R0749 on structure, format, submission processes and review of information reported by Member States



in relation to Regulation 525/2013; 32018R1999 on the Governance of the Energy Union and Climate Action. Directive 32003L0087 establishing a scheme for greenhouse gas emission allowance trading within the Community (ETS) will be partially transposed into the Law on Climate Action. The draft Law on Climate Action proposes a framework for the monitoring and reporting system (Articles 26, 27, 28, as well as Articles 37-46). The ETS framework will need to be implemented with bylaws. However, the basic rules should be included in the Law on Climate Action.

- The Law on Climate Action will provide a partial transposition of Regulation 32018R0842<sup>113</sup> on binding annual reductions in GHG emissions by Member States from 2021 to 2030 contributing to climate action to meet commitments of the Paris Agreement and amending Regulation (EU) 525/2013, with basic provisions for the respective areas, as well as monitoring and reporting obligations (Articles 29, 30, 31, 32 as well as Articles 37-46). Reduction obligations must be achieved primarily through sectoral legislation. The Law on Climate Action will not cover sectoral reduction obligations.
- The following measures will be additionally referenced to in the draft Law on Climate Action: 31998L0070, 32009R0443, 32011R0510, which are transposed into other laws and refer to the quality of fuels, new passenger and new commercial vehicles.
- The work for drafting a new Law on Climate will continue.
- A **Long-Term Climate Action Strategy** with a perspective up to 2050 will be adopted with an Action Plan.
- An **Integrated Energy and Climate Plan** (adopted by the MoE) will be adopted, which will incorporate the five dimensions in accordance with EU energy management regulations.
- Drawing up the Fourth National Climate Change Plan to the United Nations Framework Convention on Climate Change will begin.

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<sup>113</sup> On binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 contributing to climate action to meet commitments under the Paris Agreement and amending Regulation (EU) No 525/2013.



## Medium-term priorities

- The following two bylaws will be prepared pursuant to the **Law on Climate Action**: a Regulation on the national inventory system and the reporting system for policies, measures and projections; and Rulebook on reporting of greenhouse gas emissions, which is a bylaw to the Regulation on monitoring and reporting. The two bylaws, together with the relevant provisions of the Law on Climate Action, are transposing 32013R0525, 32014R0749 and 32014R0666 .
  - The **Fourth National Climate Change Plan** to the United Nations Framework Convention on Climate Change will be adopted.
  - A **National Adaptation Plan** will be adopted under the **Green Climate Fund (GCF)** mechanism.
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# AIR QUALITY

WHEN IT COMES TO THIS PRIORITY AREA, A LAW ON CHANGES AND AMENDMENTS TO THE LAW ON AIR QUALITY WILL BE ADOPTED IN THE NEXT PERIOD IN ORDER TO IMPROVE THE COORDINATION AND CONSULTATIONS WITH THE LOCAL SELF-GOVERNMENT UNITS IN PREPARATION OF PLANS FOR IMPROVING THE AIR QUALITY, FOR THE PURPOSE OF INCREASED EFFICIENCY OF THE MEASURES PROPOSED IN THOSE PLANS. IN THE MEDIUM TERM, A NEW LAW ON AIR QUALITY WILL BE ADOPTED, WHICH WILL BE HARMONISED WITH THE CLEAN AIR DIRECTIVE, AS WELL AS THE NATIONAL PLAN FOR AMBIENT AIR PROTECTION FOR 2022-2026 AND THE NATIONAL PROGRAMME FOR CONTROL OF AIR POLLUTION FOR 2022- 2032. CONTINUOUS UPDATING AND MAINTAINING OF THE STATE AUTOMATIC MONITORING SYSTEM FOR AMBIENT AIR QUALITY IS ALSO PLANNED.

## Current situation

- A **Law on Changes and Amendments to the Law on Ambient Air Quality** was prepared during 2020 in order to achieve harmonisation with Directive 32008L0050, related to the manner of adoption of planning documents at the local level and more efficient implementation of short-term measures when exceeding the alert threshold. This will increase the number of cities in charge of preparing air quality plans, and at the same time, the penal provisions are expected to ensure more efficient implementation of the measures defined in the plans, as well as provision of sufficient financial resources for their implementation.
- An **inventory of air pollutant emissions for 2018** with a full trend of emissions for the period 1990-2018 has been prepared, which has been submitted to the European Environment Agency and the UN Secretariat in accordance with the ratified international agreements. At the same time, an Information Report on the inventory was prepared and submitted to the mentioned institutions. The preparation of the new inventory cycle started in the second half of 2020, which also includes the emissions for 2019. A level 3 of the inventory was revised during May-August 2020 and the Information Report sent in 2020 was performed, and it was established that they are in accordance with the guidelines of the United Nations. Most of the given



remarks will be incorporated in the preparation of the inventory for the period 1990-2019.

- The MoEPP continuously maintains the **State Ambient Air Quality Monitoring System** (DAMSKAV) in accordance with the available spare parts and consumables. The Programme for operation of the State Automatic Ambient Quality Monitoring System for 2021 was adopted. The MoEPP undertakes a number of activities in order to ensure further replacement of the measuring instruments, as well as procurement of new instruments by financing both from the national budget and from international projects. A public procurement for spare parts and consumables for DAMSKAV for 2020 was announced from the budget of the MoEPP, which was divided into two lots (for procurement of spare parts for measuring instruments that measure NO-NO<sub>2</sub>-NO<sub>x</sub>, SO<sub>2</sub>, CO and O<sub>3</sub>, as well as for supply of spare parts for measuring instruments that measure suspended particles with size up to 10 and up to 2.5 micrometres (PM<sub>10</sub>/PM<sub>2.5</sub>). Two separate contracts were signed in the total amount of almost MKD 5 million. The delivery of the spare parts, according to the contract, was to be carried out by the end of August 2020. Additional activity that was carried out using funds from the MoEPP budget was the procedure for procurement of measuring instruments: automatic analyser for measuring ozone (O<sub>3</sub>), automatic analyser for measuring sulphur dioxide (SO<sub>2</sub>), automatic analyser for measuring carbon monoxide (CO), meteorological equipment/sensors, automatic analyser for measuring suspended particles up to 2.5 micrometres in size PM<sub>2.5</sub>, automatic sequential standard/reference low volume sampler for measuring suspended particles (with PM<sub>10</sub>, PM<sub>2.5</sub>, PM<sub>1</sub> inputs/sampling heads), calibration tower for calibration of automatic analyser for measuring suspended particles PM<sub>10</sub> and PM<sub>2.5</sub>, which will modernise and replace some of the measuring instruments from the already existing automatic monitoring stations for ambient quality air. Two contracts were concluded in the total amount of MKD 19 million and the measuring instruments were delivered and installed within the stipulated deadline.
- A contract was signed with a consultancy company in March 2020 for public procurement of services for preparation of accreditation documents of the Central Environmental Laboratory, as well as the Calibration Laboratory for Ambient Air Quality. This activity will update all the documentation necessary to start the

### **accreditation process of the calibration laboratory and the environmental laboratory.**

- The data on the concentrations of pollutants measured by the state automatic monitoring system for air quality for 2019 were processed and submitted to the European Environment Agency in accordance with the Decision 2011/850/EU.
- The implementation of the **Law on Control of Emissions of Volatile Organic Compounds When Using Gasoline** continued during 2020. The application and registration of installations for storage, installations for filling and emptying of mobile containers and gas stations are in final stage. There are also activities in accordance with the Rulebook on technical requirements and standards for equipment for gas stations and storage at terminals, that is, harmonisation is being carried out of the existing one with the new plan for installation of appropriate equipment.
- The **Annual Plan for monitoring the quality of extra light household oil and fuel oil (mazut)**<sup>114</sup> is being implemented continuously, thus implementing the requirements of the EU measure 31999L0032.
- Coordination between central and local authorities, as well as cross-sectoral cooperation regarding the implementation of measures to reduce **air pollution** continues to be implemented through the work of the Intersectoral Working Group on Air. This group holds regular and thematic meetings that define and coordinate the implementation of air pollution reduction measures undertaken by relevant institutions at central and local level. The status of implementation of the Clean Air Plan measures and of the programmes arising from it is also discussed at the IWG meetings.

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<sup>114</sup> Official Gazette No. 154/2016.

<sup>115</sup> With Budget funds in the amount of MKD 100 million

A **Programme for reduction of air pollution for 2020** has been prepared<sup>115</sup> according to the **Clean Air Plan for the period 2019-2020** in order to finance measures to reduce air pollution. The activities of the programme refer to replacement of the existing non-ecological heating systems in households, kindergartens, elementary and secondary schools, increase of energy efficiency, procurement of air purifiers, arrangement of urban green areas of kindergartens and development of a web platform for monitoring the implementation of air measures. The implementation of the activities of the Programme is ongoing, but at a slower pace due to the situation with the COVID-19 pandemic.

- The **City of Skopje** continues to implement the measures from the Plan for improvement of the ambient air quality

that refer to granting of subsidies for purchase of pellet stoves. Nearly MKD 15 million were paid out in 2019 and 497 citizens were subsidised. MKD 18,670,404 were spent in 2019 on subsidising the citizens for purchase of more modern heating devices, where 1,379 citizens were subsidised. The City of Skopje continues to grant subsidies to households and other entities for cleaning chimneys as a financial support. Subsidies in the amount of MKD 497,871 were granted in 2019 and 424 citizens were subsidised. In addition, 33 buses using compressed natural gas (CNG) were procured and 50 licenses for tax vehicles using methane were issued. In 2019, MKD 11,793,384 were spent on subsidising bicycles, for 4,121 citizens, while MKD 1,360,772 were paid out as subsidies for electric scooters, for 204 citizens.

- Additionally, the municipalities in the City of Skopje undertake certain activities to improve air quality, such as subsidizing the purchase of bicycles and protection of the existing green areas, planting of trees and increasing of green areas.
- 305 citizens who bought bicycles were subsidised, 4 methane buses intended for public transport were procured, a new vehicle with EURO 5 standard for collection of municipal waste and a dump truck of 20 cubic meters were purchased, and including a transfer vehicle for waste and cleaning of large illegal landfills were purchased in the **Municipality of Prilep**. Photovoltaic systems have been installed on the City Market and the Daily Centre for persons with cerebral palsy in Prilep, with an investment in the amount of MKD 3,411,151.00. A preliminary design, basic design and revision for a secondary gas pipeline network have been prepared.
- The **Municipality of Kumanovo** built 17 km of secondary and tertiary gas pipeline network to which 30 public facilities and 150-200 private buildings are connected. The municipality subsidises the households for connection to this pipeline in the amount of EUR 150. Technical documentation and basic design for gasification of the General Hospital in Kumanovo have been prepared. A Contract for preparation of a plan for improvement of air quality, a Contract for procurement of services for preparation of Cadastre of environmental pollutants, as well as a Contract for procurement of services for preparation of a local action plan for environmental protection were signed.
- A Programme for activities in the area of environmental

protection has been adopted in the **Municipality of Kochani** through which the residents are subsidised for purchase of pellet stoves and inverter air conditioners. The funds that are allocated per year amounted to one million denars (100 requests were approved) in 2019 and MKD 700,000 in 2021.

- The **Municipality of Veles** has an Air Quality Plan for the period 2018 – 2022. The municipality provides support and subsidies to legal entities and households for replacement of asbestos roofs, during which the asbestos roof of the “Jovce Teslichkov” elementary school was reconstructed in the amount of MKD 4,500,000.00. The Municipality of Veles subsidises the increased use of bicycles and the use of alternative/renewable energy sources. Subsidies of MKD 15,000 were awarded to 26 individuals in that regard, in 2019, while a total of MKD 500,000 were allocated. Subsidies were awarded to 167 individuals in 2020 for purchase of bicycles, in the amount of MKD 3,000, out of MKD 500,000 that were planned. Additionally, the municipality granted a total of 49 subsidies for purchased solar collector to individuals, with a value of MKD 20,000, out of a total of MKD 500,000 that were planned. An infrastructure project was prepared and a basic design for construction of a primary and secondary distribution gas pipeline network in the Municipality of Veles for Section 1 – Rechani with a length of 3,190 m in the amount of MKD 640,216 is currently being prepared, and there is also an ongoing preparation of an infrastructure project and a basic design for construction of primary and secondary distribution gas network in the Municipality of Veles for Section 2 – city area, in the length of 8,600 m with a total value of MKD 1,826,984. A strategy for the use of renewable energy sources has been developed. The windows of the elementary school “Panko Brashnarov” were replaced, in the amount of MKD 500,000, and of the elementary school “Blazhe Koneski”, in the amount of MKD 1.9 million.
- The **Municipality of Strumica** has a Plan for reducing pollution and improving air quality 2019 – 2024. In this municipality, the gas pipeline network has been expanded for additional seven kilometres, which makes the total length of the gas pipeline network to be 41 kilometres. Subsidies were granted for purchase of bicycles in the amount of MKD 800,700, that is, 229 bicycles. The wooden carpentry was replaced in order to ensure greater energy efficiency of the “Strumica Gas” and the “Army House” buildings with a total of MKD 2,247,735. Gasification was carried out in PE Komunalec, Urbanism,



Clone 1 Old Theater, and Marshal Tito PR Bansko with a total amount of MKD 2,247,735 and currently in process of gasification or public procurement procedure are the following facilities: Clone 5 Jahaja Kemal, Kiril and Metodij – Dabilje, Murtino, and Geras Cunev, with a total of MKD 2,648,530. The General Hospital in Strumica is in the process of gasification, in the total amount of MKD 5 million. The plan is also to introduce gasification in the elementary school “Dame Gruev” in the total amount of MKD 2.200.000.

- The Programme for subsidising the citizens with highly efficient inverter air conditioners for 2020 was implemented in the **Municipality of Tetovo**, in the amount of MKD 93,000,000, and where 1,500 households received subsidies for this activity in the amount of maximum MKD 62,000.

## Programmes and projects

- The activities of the project "**Development and implementation of an air pollution health index**", **funded by the IPA programme** – Cross-border cooperation with Greece for the period 2014-2020 continued during 2020. A survey on household energy use was prepared, as well as a local inventory of air emissions for the Southeast region and some of the chapters of the Air Quality Plan in Bitola were prepared (regarding evaluation of air quality data, geographical characteristics and review of relevant legislation and strategies). At the same time, within this project, a monitoring station for ambient air quality was procured and it was installed at border area, that is, in the municipality of Gevgelija. Within the same procurement, the measuring instruments were replaced with new ones for the station Bitola 1 in Bitola.
- The air component of the project "**Support to North Macedonia in EU accession in the area of environment 2019-2021**" implemented in cooperation with the Swedish Environment Agency (SEPA) and funded by the **Swedish International Development Agency** (SIDA) provided upgraded of the AIRVIRO data management system and an announcement was made for procurement of instruments for replacement of some of the obsolete instruments from the air quality monitoring stations, with an approved budget of EUR 400,000. The equipment has been delivered. The implementation of the project "**Strengthening of the**



**capacities on the central level to reduce solid particles in the air through the use of nuclear technology",**

funded by the IAEA (International Atomic Energy Agency) started in March 2020. The technical specifications were prepared and a procedure for procurement of an instrument using nuclear technologies for analysis of the composition of PM particles and procurement of samplers for air sampling was initiated within this project. The instruments have been delivered.

- Completion of the legal framework on air is planned, namely, a preparation of a **new Law on Ambient Air Quality** and several bylaws, preparation of plans for implementation of air quality directives, preparation of national planning documents for ambient air protection and strategic assessment reports on their impact on the environment, preparation and implementation of a monitoring plan for heavy metals, VOCs and PAHs, and establishment of zones and agglomerations for these substances, preparation of an air quality assessment report and a report on the assessment of the impact of the natural resources on the air quality within the project "**Support for implementation of the air quality directives" from the IPA 2 programme**. The project is expected to start in the second quarter of 2021.
- Representatives of the Unit for Analysis and Reporting in the area of air quality and emissions and the Unit for Air Quality Monitoring from the Macedonian Information Centre for Environment (MICS) participated in online workshops and seminars for implementation of EU measures to improve air quality. Training **on inventory of air emissions** in the area of waste was realised in February 2020, which was attended by three people, within the cooperation with the Austrian Environment Agency. The realisation of **TAEIX expert missions for application of the COPERT model for calculation of transport emissions** is in progress.

See Section 3.27.1 Horizontal legislation for more information on strengthening of the institutional capacity during 2020.

## Short-term priorities

### Legal framework

The **Law on Changes and Amendments to the Law on Ambient Air Quality** was prepared, specifying the manner of adoption of the planning documents at the level of LSGUs, the review and approval of the same by the central government, the short-term measures in the local short-term action plans and those proposed by the Intersectoral Working Group and adopted by the Government, as well as control over the implementation by the inspection services. It is currently in Parliamentary procedure.

The following legal acts will be prepared and adopted by December 2023 in order to harmonise the national legislation with the following EU Directives: 32004L0107, 32008L0050, 32015L1480, 32016L2284, 32010L0075 and 32015L2193:

- a **Law on Ambient Air Quality** which will be in line with the EU measures 32004L0107, 32008L0050, 32015L1480, 32016L2284, 32010L0075 and 32015L2193;
- a Rulebook on monitoring methodology for ambient air quality (32004L0107, 32008L0050 and 32015L1480);
- a Rulebook on the methodology, manners, procedures, methods and means for measuring emissions from stationary sources (32010L0075);
- a Rulebook on limit values for permitted levels of emissions and types of pollutants in waste gases and vapours emitted by stationary sources in the air (32010L0075 and 32015L2193);
- a Rulebook on the methodology for inventory and determination of the level of emissions of pollutants into the atmosphere in tons per year for all types of activities, as well as other data for submission of the European Air Monitoring Programme (32016L2284);
- A **Programme for the operation of the State automatic monitoring system for ambient air quality for 2022 and 2023** will be prepared. The regular maintenance of the air quality monitoring system managed by the MoEPP will continue. The replacement of the outdated instruments of the monitoring system with funds from the Budget of the MoEPP will continue, as well as with donor funds from IPA 2 and the Swedish International Agency for Development and Cooperation;
- Indicative measurements of heavy metals and polycyclic aromatic hydrocarbons in fraction of solid particles will

start at one measuring point in Bitola, within the project for cross-border cooperation with Greece;

- The data on the concentrations of pollutants obtained from the State automatic monitoring system for air quality for 2020 will be processed and submitted to the European Environment Agency, in accordance with the Decision 2011/850/EU and within the envisaged submission deadline of 1 October 2021;
- The implementation of the measures prescribed in the National Plan for Ambient Air Protection and the Air Quality Plans adopted by the LSGUs will continue during 2021 - 2022. The process of gasification of the country continues, and this will significantly contribute to the reduction of emissions from the heating homes and administrative facilities;
- A **Programme for reduction of air pollution for 2021** will be adopted, and the activities of the programme will again refer to the replacement of the existing non-ecological heating systems in households, kindergartens, elementary and secondary schools, increase of energy efficiency and arrangement of urban green areas in kindergartens. Eighty million denars will be provided for the implementation of the measures defined in the programme. This amount is less than the amount in the previous two years due to the limited state budget given the pandemic situation;
- The City of Skopje will continue with implementation of the measures from the Plan for improvement of the ambient air quality;
- An **Annual plan for quality control of liquid fuels** placed on the market in the country will be implemented, which is the basis for preparation of monthly and annual reports on the quantities of liquid fuels used and their quality. The reports will be submitted to the Ministry of Economy and the MoEPP, in order to further process the data;
- The process of submission of a Plan and a Programme for achieving the technical requirements for environmental protection by installations for storage, filling and emptying for mobile containers and gas stations will continue during 2021-2022;
- The Inventory of Emissions of Air Pollutants for 2019 with full emission trend for the period 1990-2019 (improved in accordance with the incorporated remarks from the Level 3 Audit) was sent to the European Environment Agency (EEA) and the Secretariat of the United Nations

in accordance with the ratified international treaties in February 2021. An Inventory Information Report has been prepared and sent to the EEA and the UN in April 2021. Data on emissions of gridded and large point sources and emissions with dimensions 0.1°x0.1° will be submitted in May 2021.

## Programmes and projects

The following activities are expected to be finalised in the framework of the project "Development and implementation of an air pollution health index", funded by the IPA programme – Cross-border cooperation with Greece for the period 2014-2020:

- Preparation of a **new five-year plan for air improvement in Bitola;**
- Conducting indicative measurements of the composition of PM particles;
- Preparation of an Assessment of the pollution effects on the health; and
- Organisation of public awareness campaigns.

The project for "Support for implementation of the air quality directives" from the IPA 2 programme of the European Union is expected to start and to implement the following activities:

- Adoption of the **National Programme for control of air pollution for the period from 2022 to 2032;**
- Adoption of the **National Plan for Ambient Air Protection for the period from 2022 to 2026;**
- Preparation of a Biennial Action Plan for implementation a National Plan for Ambient Air Protection;
- Ambient air quality assessment;
- Training on "Servicing and maintenance of air quality monitoring stations";
- Training on air emissions inventory; and
- Indicative measurements of heavy metal contaminants, VOCs and PAHs.

The implementation of the following activities is planned in the framework of the project "Support to North Macedonia in EU accession in the area of environment 2019-2021", funded by the Swedish International Agency for Development and Cooperation:

- Procurement of instruments for air quality monitoring;
- Upgrading of data processing and reporting system; and
- Air quality management capacity building trainings.

The following activities are planned within the project "Strengthening the capacities at the central level for reducing solid particles in the air through the use of nuclear technologies" financed by the International Atomic Energy Agency:

- Conduct a measurement campaign; and
- Preparation of a National Study for determining of the main sources of PM particles in the major cities in the country.

Capacity building trainings will be continuously conducted at central and local level in terms of the institutional framework.

## Medium-term priorities

### Legal framework

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The following legal acts will be prepared and adopted during January 2023 - December 2024 in order to achieve harmonisation of the national legislation with the following EU Directives: 32004L0107, 32008L0050, 32015L1480, 32016L2284, 32010L0075 and 32015L2193:

- A Decree on the quantities of the upper limits - ceilings of the emissions of pollutants in order to determine projections for a certain period of time that refer to reduction of quantities of emissions of pollutants on an annual basis (32016L2284);
- Preparation of a Guideline for application of the Rulebook on limit values for permitted levels of emissions and types of pollutants in waste gases and vapours emitted by stationary sources in the air, harmonised with 32010L0075 and 32015L2193;
- Preparation of a Rulebook on methodology for monitoring the effects of air pollution, which will be harmonised with Directive 32016L2284;
- Preparation of Guidelines on the manner of preparation and format of the National Air Pollution Control, which will be harmonised with Directive 32018D1522 and will follow the guidelines of Directive 2016/802.

## Programmes and projects

The activities envisaged within the project "Support to the implementation of air quality directives" from the IPA 2 programme of the European Union will be finalised.

## Institutional framework

- Regular maintenance and renewal of the air quality monitoring system managed by the MoEPP will continue.
  - Data on concentrations of pollutants measured by the State automatic air quality monitoring system will continue to be submitted annually to the European Environment Agency in accordance with Decision 2011/850/EU.
  - The implementation of the measures defined in the National Plan for Ambient Air Protection for the period from 2022 to 2026, the National Programme for control of air pollution for the period from 2022 to 2032, as well as the local plans for improvement of the air quality will continue.
  - The preparation of inventory will continue, which will be submitted annually to the European Environment Agency and to the Secretariat of the United Nations in accordance with the ratified international agreements. At the same time, Annual inventory information reports will be prepared and sent in March each year. Emissions of pollutants into the air by grids (0.1°x0.1°), as well as emissions of pollutants from large point sources will be prepared and sent during 2025.
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# WASTE MANAGEMENT

THE FOCUS CONTINUES TO BE ADOPTION OF THE LEGAL FRAMEWORK HARMONISED WITH THE EU WASTE MEASURES AND THE **ESTABLISHMENT OF INTEGRATED REGIONAL WASTE MANAGEMENT**, USING THE FUNDS ALREADY ALLOCATED THROUGH IPA AND INTENDED FOR 2 REGIONS, PROVISION OF FUNDS FOR OTHER REGIONS (GRANTS, LOANS, ETC.) AS WELL AS PREPARATION OF OTHER STRATEGIC DOCUMENTS.

## Current situation

The draft laws were finalised, following inter-ministerial consultations with the other state bodies and the local self-government, during 2020 as follows:

- A **Draft Law on Waste Management** (which will transpose the EU measure 2008/98/EU);
- A **Draft Law on Dealing with Batteries and Accumulators** and waste batteries and accumulators (compliance with EU Directive 2006/66);
- A **Draft Law on Management of Electrical and Electronic Equipment and Waste Electrical and Electronic Equipment** (harmonisation with EU Directive 2012/19/);
- A **Draft Law on Packaging and Packaging Waste Management** (harmonisation with the new EU Packaging and Packaging Waste Directive 2015/720);
- A **Draft Law on Management of Special Waste Streams** (further harmonisation with EU Directive 2008/98/EU); and
- A **Draft Law on Extended Liability of Producers** (further harmonisation with EU Directive 2008/98/EU).

These laws also set the national annual values for the main waste streams and their fulfilment. The package of laws was adopted by the Government on 22 December 2020 and forwarded to the Parliament for adoption.

- The procedure for Strategic Environmental Impact Assessment for the proposed text of the **National Waste Management Plan (2020 - 2030)** was implemented and the draft report on the National Waste Management Plan (2020 - 2030) was prepared and approved. The National Waste Management Plan has been prepared, but will be adopted in parallel with the adoption of the Law on Waste Management during 2021. In addition, the Packaging Waste Management Programme, the Electrical and Electronic Equipment Waste Management Programme and the Waste Battery and Battery Management Programme are all part of the National Waste Management Plan 2020 - 2030.
- The municipalities of the East and Northeast region and the Municipality of Sveti Nikole (18 municipalities in total) were adopting new decisions in 2020 to establish a public regional waste management company in order to supplement the decisions that were already made in 2019, in order to elect a Director of the enterprise.
- The procedure for selection of bidders for closure of the non-standard landfills/ illegal landfills and the procedure for procurement of equipment for waste collection and transport for these municipalities has been realised, but the selection of the supervision company is late, so the closure of the non-standard landfills/ illegal landfills in these 18 municipalities will be realised in the first quarter of 2021.
- The procedure for selection of bidders for procurement of equipment for waste collection and transport for these municipalities has been realised and the equipment has been delivered to all 18 municipalities.
- The regular meetings with the representatives of these municipalities were continued, with participation of representatives from the EU Delegation, as well as the Mayors of the regions, in order to implement the future two projects, which are planned to be financed with the IPA 2 programme and are related to construction of the regional landfill and transfer stations and provision of technical assistance to strengthen the capacity of the

local administration to manage these facilities.

- The final report on the implemented project of the European Bank for Reconstruction and Development (EBRD) for the Vardar, Pelagonija, Southwest and Southeast regions was submitted in 2020. Potential synergy has been identified in terms of waste management infrastructure in these four regions, with financing options, and establishment of a joint waste management system was proposed for the Southwest and Pelagonija as well as a joint waste management system for the Southeast and Vardar region. The MoEPP prepared information to the Government with a proposal for provision of funds through credit lines in order to build these two interregional systems so that the infrastructure works could start in the fourth quarter of 2021 at the latest.
- The project "Preparation of the necessary documents for establishment of an integrated and financially self-sustainable waste management system in the Polog planning region" continued during 2020, which is financed with funds provided through bilateral cooperation between the Government and Switzerland. As a part of the project activities, the Regional Waste Management Plan for the Polog region was prepared and approved by the MoEPP and a Feasibility Study for an integrated waste management system in the Polog region was prepared. MoEPP applied for an investment grant for this project on the 25th call of the Investment Framework for the Western Balkans on 26 February 2021.
- The procedure for issuing of A-integrated environmental permit for the "Drisla" landfill in Skopje, which is a regional landfill for the Skopje region, has started.
- The MoEPP allocated MKD 22 million from the budget for cleaning of illegal dumps in two municipalities.

Please refer to Section 3.27.1 Horizontal Policy, Institutional Framework for more information on capacity building of the Area of Waste at the MoEPP.

## Short-term priorities

### Legal framework

- A **Law on Changes and Amendments to the Law on Environment** will be adopted, in accordance with the recommendations of the European Commission Report for 2020, in terms of contaminated areas, in order to introduce a systemic solution that prescribes the following:
  - defining of contaminated areas;
  - establishment of legal basis for adoption of methodology for identification of contaminated areas, that is, establishment of provisions governing the treatment of contaminated areas;
  - further regulation of the part related to financing in the environment.
- Guidelines for handling hazardous and non-hazardous waste generated by state institutions will be adopted. The purpose is for the institutions to properly manage the generated waste, especially the hazardous waste (consumed toner, waste paper and other office supplies).
- The **National Waste Management Strategy** (2008-2020) will be revised.
- A **National Plan for Prevention of Waste Generation 2021-2027** will be adopted.
- The Rulebook on the List of types of products belonging to categories of electrical and electronic equipment will be adopted, so this List will be further harmonised with the EU Directive 2012/19.
- The preparation of bylaws in accordance with the new package of laws on waste management will begin.
- A **new unit on communal (utility) affairs** will be established within the Energy and Water Services Regulatory Commission pursuant to the Law on Waste Management, which will determine the waste management fee for each planning region.
- The procurement of equipment for collection and transport of municipal waste, financed by IPA projects, will be realised:
- The non-standard landfills/ illegal landfills in the two regions financed by the IPA projects "Closure of non-standard landfills in the Eastern region - first phase (January 2021 - January 2022)" and "Closure of non-standard landfills in the Northeast region - first phase

- (January 2021 - December 2022)" will be closed.

- The procedure for establishing an **integrated and financially self-sustainable waste management system** for Vardar, Southwest, Southeast and Pelagonija planning region will begin, in accordance with the results obtained from the project funded by the EBRD, that is, based on the studies for financing options and the results of the above analysis.
- The realisation of the projects for construction of a regional landfill for municipal waste and **six transfer stations** for the municipalities from the Northeast and East region and the municipality of Sveti Nikole will start within the IPA project "Establishment of integrated and financially sustainable waste management system in the East and Northeast region" and the project "Supervision of the activities of the Agreement on the Establishment of an Integrated and Financially Self-Sustainable Waste Management System in the East and Northeast Region, merit agreement".

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## Institutional framework

The capacities of the central level will be continuously strengthened, including capacities of the local self-government for implementation of the model for the reform of the public utility companies, in order to separate the area of waste and the area of water and establishment of regional enterprises for municipal waste management.

## Medium-term priorities

### Legal framework

- Implementation of the package laws on waste and adoption of bylaws in relation to it.
- The regional system (that includes landfill, necessary transfer stations and waste processing stations) will be established in the Southeast, Southwest, Vardar and Pelagonija region, with the construction of the necessary infrastructure.



- An integrated and financially self-sustainable waste management system will be established in the Polog planning region during this period.
- The projects for construction of a regional landfill for municipal waste and six transfer stations for the municipalities from the Northeast and East region and the municipality of Sveti Nikole will be implemented, within the IPA project "Establishment of integrated and financially self-sustainable waste management system in the East and Northeast region" and the project "Supervision of the works from the Agreement for establishment of an integrated and financially self-sustainable waste management system in the East and Northeast region, merit agreement".
- A **Sludge Management Plan in 2023** is planned to be adopted, which should be in line with the Urban Waste Water Directive.

## Institutional framework

The capacities at central level will be strengthened, including those of the local self-government for implementation of the model for reform of the public utility companies, in terms of separation of the area of waste and the area of water and the establishment of regional enterprises for municipal waste management.

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# WATER QUALITY

THE HARMONISATION OF THE NATIONAL LEGISLATION IN THE AREA OF WATER WITH THE EU ACQUIS, ADOPTION AND IMPLEMENTATION OF THE RIVER BASIN MANAGEMENT PLANS WILL CONTINUE IN THE AREA OF WATER IN ORDER TO IMPROVE THE STATUS OF THE WATER BODIES. FLOOD RISK MANAGEMENT PLANS WILL ALSO BE DEVELOPED FOR ALL AREAS OF THE RIVER BASIN, INCLUDING FLOOD RISK AND FLOOD DAMAGE MAPS. AGGLOMERATIONS AND SENSITIVE AREAS FOR URBAN WASTEWATER DISCHARGE WILL BE IDENTIFIED AND PROGRAMMES, INVESTMENT PLANS AND PROJECTS FOR WASTEWATER COLLECTION, DRAINAGE AND TREATMENT WILL BE IMPLEMENTED. THE MONITORING MANAGEMENT OF SURFACE AND GROUNDWATER BODIES WILL BE IMPROVED.

## Current situation 2020

- **Regarding the GEF Project for preparation of the Crn Drim basin management plan**, activities were continuously implemented in the reporting period in accordance with the project plan. The main objective of the project is to support the joint management of the Drim basin, building consensus between the countries (North Macedonia, Albania, Greece, Montenegro and Kosovo) on the key issues in the basin, including effects of the climate change, strengthening of technical and professional capacity and implementation of pilot projects. An online public hearing was held on the draft Lake Ohrid Basin Management Plan, in accordance with the requirements of the Water Framework Directive, with participation of all stakeholders. Draft terms of references were developed for preparation of a Plan for Managing the Crn Drim Basin for the extended area.
- All countries in the basin have adopted and signed the **Cross-Border Diagnostic Analysis/Draft Strategic Action** (PDA/SAP). The main technical role of the PDA is to identify, quantify and prioritize environmental issues of a cross-border nature. The PDA provides the factual basis for formulating the SAP as a result. The SAP was prepared as a result of activities carried out at several events: workshops, conferences or meetings with groundwater experts, focus groups, representatives of line ministries in each of the beneficiary countries, etc.
- The Second **GIZ Project "Adaptation to Climate Change through Transboundary Flood Risk Management**



**in the Western Balkans" (CAWB II)** continued with implementation, the purpose of which is a preliminary assessment of the flood risk in the Drim Basin in North Macedonia, Kosovo, Albania and Montenegro. Online national and regional workshops and trainings were held on the use of the model for initial flood risk assessment.

- The **UNDP Project "Improving Flood Resistance in the Polog Region"**, funded by the Swiss Agency for Development and Cooperation (SDC) and with a duration of 2017 - November 2021. The aim of the project is to improve the involvement of stakeholders in the Polog region in flood risk management, taking into account the sustainable and inclusive growth of the region. The project will, among other things, ensure progress in the adoption of the objectives and principles of the EU Floods Directive and the UN Sendai Framework for Disaster Risk Reduction. The following activities were realised within this project: preparation of studies for urban flow management for Tetovo and Gostivar, activities for preparation of a feasibility study for readiness, response and early warning system for flooding. Activities for preparation of priority measures for mitigation of torrential floods have started, as well as activities for preparation of models for financing of improved energy efficiency in order to reduce the pressure on the forest cover, defined and implemented as an exhibition of 2 pilot municipalities.
- A workshop was held on building resilience towards integrated cross-border flood risk management in the Crn Drim basin, as part of a regional UNDP project. The project will be implemented over a period of 5 years (2020-2025) in order to improve the institutional capacity for flood risk management and implement appropriate measures.
- The project "Capacity Development Programmes in the area of wastewater management" was implemented with the support of the Swiss State Secretariat for Economic Affairs (SECO) and GIZ. The main objective of the project is to strengthen the capacities of the employees in the public utility companies (PCEs) and the local self-government units (LSGUs) through workshops and trainings on a specific type in order to achieve proper wastewater management.

- Activities were implemented within the EU Project Environment Partnership Programme for Accession (EPPA) in the area of water quality, where 2 online regional workshops on the Flood Directive and the Strategy for the Seas were carried out.
- An initial online meeting was held within the project for **implementation of PURS Strumica** to present the project for preparation of the Groundwater Cadastre for the entire territory of the Republic of North Macedonia.
- The evaluation of the tender for the IPA 2 project for implementation of the **Floods Directive** started during 2020, with a preparation of a **Flood Management Plan**, which includes measures foreseen for flood risk. This project will also include activities for transposition of the EU Floods Directive and activities for flood risk assessment and preparation of flood risk plans for each river basin, along with flood risk maps and critical area maps.
- The tender documentation is currently pending approval by the EU Delegation in the first half of 2021 for the realisation of the **IPA project for procurement of special equipment for information system for water monitoring** in terms of operationalisation of the water monitoring network.
- Terms of references were prepared within the **IPA project "Future support in the implementation of reforms in the area of water"** during this period. It will enable implementation of the results determined by the reforms in the area of water management of the public communal enterprises and REC.
- Operations identification (OIS) was prepared for the IPA project **Preparation and implementation of PURS measures for all river basins** (Vardar, Crn Drim, Strumica) during this period, with intention the content and measures set out in the plans to be harmonised and determined in the same time period.

### Investments in water management:

- The tender documentation for the two contracts for construction and construction supervision is in the final stage of preparation regarding the project "**Construction of a wastewater treatment plant in Skopje**". The aim of the project is to make a significant and measurable contribution to the improvement of the environment in the City of Skopje, to improve the quality of the municipal services related to wastewater treatment, that is, to improve the efficiency of wastewater treatment, purification and elimination of sludge, in order to achieve the European water quality standards. The construction phase was completed on 10 February 2020. The Contractor has started currently the 12 month Defect Liability/ Notification Period - DLP/ DNP).
- The project for Wastewater Treatment in Kochani was completed in 2020. An Annex to the project contract for wastewater treatment plant in Kochani was signed, which provided additional funds for realisation of this important infrastructure project. The preparation of the tender documentation for connection of **Vinica** and the neighbouring villages with the WWTP Kochani and rehabilitation of the sewerage network in Vinica is in progress within this Annex. These funds will also enable corporate development of the public utility companies in Kochani and Vinica will develop the skills for wastewater management in the companies and priority measures will be implemented in the infrastructure component for rehabilitation of the sewerage system in Kochani and the neighbouring Orizari and Trkanje.
- The implementation of the **Delchevo** Water Supply project supported by the Swiss Government continued.
- The MoEPP realised the programme for Collector System **Ohrid and Struga**, in the amount of MKD 150 million, for implementation of a project for Rehabilitation and improvement of the functionality of the collector system of Ohrid Lake.
- The IPA **project for improvement of the wastewater collection infrastructure in the City of Skopje** is being implemented. The construction of the collectors in the City of Skopje was to be implemented from 2018 to 2020, with a warranty period of 365 days. However, due to some damage claims, the construction activities have not been completed yet and the warranty period has not yet started.

- Activities for rehabilitation and expansion of the sewerage network and construction of wastewater treatment plants in the municipalities of Bitola and Tetovo have started within IPA II. The contracts for construction and supervision of the works for construction of the wastewater treatment plants and expansion of the sewerage network in both municipalities are expected to be concluded in the first half of 2021.
  - Activities for rehabilitation and expansion of the sewerage network in **Kichevo** have started, **within IPA 2 project**. The tender for construction works was announced on 15 March 2021. The tender procedure for selection of supervision services over the construction works has been completed and a contract has been signed.
  - The construction of the treatment plant in Gevgelija is completed.
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## Short-term priorities

### Legal framework

- A **Law Amending the Law on Waters** will be adopted during this period in order to further harmonise with the relevant EU legal acts in the area of water, the Water Framework Directive, the Urban Waste Water Directive 91/271/EEC, the Potable Water Directive 98/83/EC, the Groundwater Directive 2006/118/EC and the Directive on Environmental Quality Standards 2008/105/EC.
- Bylaws will also be adopted in order to transpose the requirements from the Potable Water Directive 31998L0083, Water Framework Directive - 32000L0060, Urban Wastewater Directive 91/271/EEC, Groundwater Directive 2006/118/EC.
- The activities for preparation of the **River Basin Management Plan** of the Ohrid lake will continue in 2021 (GEF project for enabling cross-border cooperation and integrated water resources management of the extended basin of Crn Drim) in order to better manage the river basins. The River Basin Management Plan of the Lake Ohrid will be adopted. The draft terms of references for preparation of the River Basin Management Plan of the extended area of Crn Drim will be adopted.
- A **Strategic Action** will be adopted as a policy negotiation document in the area of water management in the Crn Drim area.
- The implementation of the second **GIZ Project** will be completed: **Adaptation to Climate Change through Transboundary Flood Risk Management in the Western Balkans (CAWB II)**. The activities for realisation of the **UNDP Project: Improving the flood resistance in the Polog region** will be also completed, in order to better involve the stakeholders from the Polog region in dealing with the risk of floods.
- Activities within the UNDP regional project **Building resilience towards integrated cross-border flood risk management in the Crn Drim basin (2020-2025)** will continue to be implemented in order to improve the institutional capacities for flood risk management and implementation of appropriate measures.



- The implementation of **GIZ and SECO project for Capacity development programmes in the area of wastewater management** will continue, in order to strengthen the capacity of the public utility companies and local self-government units (LSGUs).
  - The project for implementation of PURS Strumica for preparation of the Groundwater Cadastre for the entire territory of the country will be completed.
  - The implementation of the IPA Project for implementation of the **Floods Directive** will begin during this period, with the preparation of a **Flood Management Plan** with included flood risk measures.
  - Operations identification (OIS) for the IPA project Preparation and implementation of PUR measures for all river basins (Vardar, Crn Drim, Strumica) will be prepared during this period in order to achieve harmonisation and determine the content and measures set out in the plans.
  - Implementation of the IPA Project for procurement of special equipment for information system for water monitoring will be completed.
  - The tender for realisation of the IPA project Future support in the implementation of reforms in the area of water will be announced.
  - The upgrade and rehabilitation of the sewerage network of the City of Skopje will continue in the framework of the IPA project, with the construction of collectors on the left and right side of the river Vardar. The preparation of tender documentation for construction of the treatment plant in the City of Skopje is in its final stage within the project "Study for financing, construction and operation of the treatment plant for the City of Skopje", which is funded by the French Government. The second phase of evaluation is expected to begin in
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July 2021. The agreement is expected to be signed in May 2022. WBIF provided comments on the investment grant application for the Skopje treatment plant. In the next phase, comments will be made together with the MoEPP and the PE for Water and Sewerage and the City of Skopje, and a revised application will be returned to WBIF.

- Negotiations are ongoing with the contractor for completion of the project regarding the IPA project for construction of the collector system for the City of Skopje.
  - Feasibility studies and technical documentation will be prepared in this period for improving the collection and treatment of the wastewater in Gostivar, Kavadarci and Debar, as well as revision and updating of the existing documentation/studies for wastewater in Veles and Shtip.
  - The upgrade and rehabilitation of the sewerage network of the City of Kichevo will begin in the framework of an IPA project.
  - The upgrade and rehabilitation of the sewerage network and construction of a wastewater treatment plant in the cities of Bitola and Tetovo will begin in the framework of an IPA project.
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## Institutional framework

It is envisaged to strengthen the administrative capacities in the water management of the Area of Water by holding trainings and workshops within the EU Project Partnership Programme for accession in the area of environment, as well as within other projects.



## area 3.27.4

### Medium-term priorities (2023- 2025)

**Bylaws** will be adopted, which will transpose the following EU measures: **32000L0060, 31991L0271, 31991L0676, 31980L0068 and 32006L0118.**

#### Programmes and projects

- The implementation of the GEF regional project for preparation of the **Basin Management Plan of the extended area of Crn Drim** will begin in this period, which will include the countries (Greece, Albania, Kosovo and Montenegro) that host the catchment area of the extended Crn Drim area, in order to achieve better manage with the river basins.
- The activities within the regional UNDP Project "Building resilience towards integrated management with the transboundary risk of floods in the Crn Drim basin" will be completed.
- The implementation of GIZ and SECO project "Capacity Development Programmes in the area of wastewater management" will finish, in order to strengthen the capacities of the public utility companies (PCE) and the local self-government units (LSGUs).
- The IPA project for Preparation and implementation of PURS measures for all river basins (Vardar, Crn Drim, Strumica) will be fully realised in this period, with an aim that the content and measures set out in the plans will be harmonised and determined in the same time period.
- The IPA project "Future support in the implementation of reforms in the area of water" is expected to be fully implemented in this period.
- The IPA Project for implementation of the Floods Directive is expected to be fully implemented during this period, with the preparation of a **Flood Management Plan** with foreseen measures for flood risk.
- The activities for **construction of the central wastewater treatment plant in the City of Skopje** within the project for "Construction of the treatment plant for the City of Skopje" will continue.
- The **upgrade and rehabilitation of the sewerage network of the City of Kichevo** will continue within an IPA project



- The upgrade and rehabilitation of the sewerage network and construction of a wastewater treatment plant in the cities of Bitola and Tetovo will continue within an IPA project.

## Institutional framework

Strengthening the administrative capacities in the water management of the Area of Water is envisaged by holding trainings and workshops within the EU Project Partnership Programme for accession in the area of environment, as well as within other projects.

# NATURE PROTECTION

FURTHER HARMONISATION OF THE NATIONAL LEGISLATION WITH THE EU NATURE PROTECTION LEGISLATION WILL CONTINUE, WITH THE ADOPTION OF A NEW LAW ON NATURE AND ENSURING ITS FURTHER HARMONISATION WITH THE EU HABITATS DIRECTIVE, THE BIRDS DIRECTIVE, THE CITES REGULATION AND DRAFTING OF BYLAWS. ACTIVITIES WILL CONTINUE FOR PREPARATION OF INVENTORY FOR IDENTIFICATION OF FUTURE POTENTIAL NATURA 2000 AREAS AT THE NATIONAL LEVEL AND IMPLEMENTATION OF BIODIVERSITY MONITORING. MORE EFFICIENT NATURE PROTECTION WILL BE ENABLED WITH THE IMPLEMENTATION OF ACTIVITIES FROM THE NATIONAL STRATEGY FOR BIODIVERSITY WITH ACTION PLAN (2008-2013) AND THE NATIONAL STRATEGY FOR NATURE PROTECTION WITH ACTION PLAN (2017-2027). NATIONAL RED LISTS FOR AT LEAST FOR TWO TAXONOMIC GROUPS WILL BE PREPARED. THE STRENGTHENING OF ADMINISTRATIVE CAPACITIES ON BOTH CENTRAL AND LOCAL LEVEL WILL CONTINUE.

## Current situation

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- **The new Law on Nature Protection** in which the requirements of the EU measures 31992L0043 and 32009L0147 are fully transposed, was submitted for inter-ministerial consultation.
- Protocols for monitoring of habitat, plant, animal and bird of EU significance have been adopted, in accordance with EU Habitats and Birds Directives.
- The Ministry of Environment and Physical Planning, in cooperation with UNEP and national experts, has prepared the draft Sixth National Report to the Convention on Biological Diversity (CBD).
- Significant progress has been made in the procedures for declaring new protected areas pursuant to the Law on Nature Protection.
- The Government adopted the Decision (No.44-3707/1 from 5 May 2020) on the acceptability of the proposal for declaring a part of Shar Mountain a protected area in category II - National Park. The MoEPP drafted a Law on Declaring a Part of Shar Mountain a National Park and held public hearings with stakeholders, and the MoEPP, in cooperation with the non-governmental sector, conducted a campaign to promote the Shar Mountain as a national park. The Government adopted the draft Law on Declaring a Part of Shar Mountain a National

Park at a session held on 2 March 2021 and forwarded it to the Parliament.

- The Government adopted a Decision on the acceptability of the proposal for declaring a part of the **Osogovo Mountains a protected area**<sup>116</sup>. at the proposal of the MoEPP. The MoEPP conducted public hearings regarding the draft decision with stakeholders. The government adopted the Decision for declaring a part of the Osogovo Mountains a protected area in category V - protected area (Official Gazette No. 277/2020) at the proposal of the MoEPP. The MoEPP conducted a campaign for declaring the Osogovo Mountains a protected area in cooperation with non-governmental organisations.
- The procedures for declaring **Vodno and Studenчисhte Marsh** as protected areas have started. The Government adopted the Decision on the acceptability of the proposal for declaring a part of Vodno a protected area in category V - protected area (No. 44-4543/1 from 17 November 2020) and the Decision on the acceptability of the proposal for declaring the Studenчисhte Marsh site a protected area in the category of park of nature (No. 44-8352/1 from 17 November 2020) at the proposal of the MoEPP.
- The activities for valorisation of the natural heritage continued, and studies for valorisation of the natural values of Shar Mountain, Vodno, Studenчисhte Marsh and NP Pelister were prepared. Activities are currently implemented for preparation of a Study for valorisation of the Maleshevo Mountains.
- The management with protected areas has been improved with the development of management plans. The **Management Plan of the Pelister National Park** has been prepared. Draft plans for management of the natural monuments **Markovi Kuli and Lake Prespa and the National Park Galichica** have also been prepared.
- A Nomination File has been prepared for the site Dlaboka Reka in NP Mavrovo for the UNESCO Preliminary List of old beech forests.
- The MoEPP prepared an application file for the nomination of the Lake Ohrid and Studenчисhte Marsh on the List of the Ramsar Convention in cooperation with the non-governmental sector. The file was approved by the Government and sent to the Secretariat of the

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<sup>116</sup> Official Gazette No. 116/2020.

Ramsar Convention.

- The cooperation between the MoEPP and the public institutions NP Pelister, NP Mavrovo and NP Galichica and with other entities for protection of protected areas, local authorities, inspection services, public enterprises, agencies, scientific and professional institutions and other stakeholders (farmers, landowners, hunters and fishermen) and NGOs involved in nature protection was strengthened in the reporting perioda.
- Activities have started within the GEF/UNEP Project "Achieving Biodiversity Conservation through Creation and Effective Management of Protected Areas and Mainstreaming Biodiversity into Land Use Planning" (STAR 5) in cooperation with the IUCN ENCARO Office in Belgrade and under coordination of the MoEPP for selection and identification of two pilot corridors from the proposed National Ecological Network (MAK-NEN); identification of forests with high natural values, identification of wild plant species (bearberry and common juniper) of economic importance endangered by uncontrolled or unsustainable use and implementation of analysis of the national legislation on the use of wild species. Activities have also started for preparation of a draft Plan for management of Shar Mountain, Valorisation Study and draft Management Plan for Lake Ohrid.
- The implementation of the project "Programme for Conservation of Nature of Macedonia", Phase II, funded by the Swiss Agency for Development and Cooperation (SDC) continued, which is focused on the catchment area of the Bregalnica river. Activities for identification of potential Natura 2000 areas in the Bregalnica region (Ovche Pole, Dolna Bregalnica and Chengino Kale) were carried out. The standard forms/templates for Natura 2000 were filled out for these areas with identification of habitats, plants, animals and birds.
- Stakeholder workshops were held and a Natura 2000 campaign was conducted in the East Planning Region.
- **Ecosystems were identified and mapped and the state of the ecosystems was determined at the national level.** The ecosystem services of the basic ecosystems at the national level are mapped, with special emphasis on the protected areas. The mechanism for payment of ecosystem services has been tested on one pilot protected area - Monument of Nature 'Vevchani Springs. An ecosystem services brochure and a long-term capacity building plan for all stakeholders have

been prepared. As part of the implementation of the plan, trainings were conducted for stakeholders on issues related to ecosystem services.

- The **Regional List of Endemic Species** has been revised and a software application for biodiversity data collection and processing has been developed, within the GIZ Project "Biodiversity Data Management and Reporting".
- The regional EU project: Environmental Partnership Programme in the Accession Process (EPPA) for the Western Balkans and Turkey continued to be implemented. Representatives of the MoEPP, Sector for Nature, participated in regional workshops on information exchange and best practices for management of illegal logging and trade in wood, invasive allochthonous species and green infrastructure and environmental connection, including implementation of the EU Regulation on trade in wild plants and animals.
- **National Red Lists of Fungi and Large Beasts** (bear, lynx, wolf, otter and jackal) were prepared within the project: "Biodiversity Capacity Building Programme", supported by the EBRD.
- The EU/UNDP Protected Areas Management Project (Grant Scheme) was finished.
- Activities have been launched within the regional ADAPT project: "Nature based solutions for more resilient societies in the Western Balkans". The project is funded by the Swedish International Development Agency (SIDA) and implemented by the International Union for Conservation of Nature - I (IUCN ECARO). Project partners from our country are the MoEPP and the Crisis Management Centre. The common objective of the project is to increase the resilience of ecosystems and human communities to climate change and disaster risks by applying nature-based solutions.
- Cross-border cooperation for nature protection has been promoted within the Prespa-Ohrid Nature Fund (PONT), which covered protected areas (NP Pelister, NP Galichica, SP Prespa Lake and Ezerani).

Please refer to Section 3.27.1 Horizontal legislation for more information on the institutional framework for 2020.

## Short-term priorities (2021-2022)

### Legal framework

- The new **Law on Nature Protection** will be adopted, which will fully transpose the EU measures 31992L0043 and 32009L0147. The bylaws (rulebooks) for marking and visualisation of the protected areas will be prepared and adopted; a National Information System for Nature and Data Exchange will be established; on the form and content of the notification before beginning of a project activity in nature or scientific research in nature.
- The **Lists for determining strictly protected and protected wild species** will be revised.
- **National Red Lists for different taxonomic groups of plants and animals** will be prepared.
- A special **legal solution** will be prepared on regulation of international trade in wild endangered plant and animal species in accordance with EU Regulation 338/97.
- The process of valorisation/revaluation of the natural values of the protected areas and valorisation of the natural rarities will continue.
- The process of declaring protected areas and natural rarities will continue according to the existing Law on Nature Protection.
- **Plans will be adopted for management of the natural monuments Markovi Kuli and Prespa Lake, Pelister National Park and Galichica National Park** in terms of management of protected areas and in accordance with the Law on Nature. Protected area management plans will continue to be developed.
- It is necessary to establish an Office/Agency for Nature Protection as a separate legal professional institution in order for the MoEPP to be able to meet the obligations of the national legislation for nature protection, the EU Directives for habitats and birds, the Directive for zoos, traps, the Regulation for protection of wild flora and fauna species by regulating their trade, etc., as well as the obligations from the ratified international conventions and agreements in the area of nature protection.
- The implementation of the activities from the National



Strategy for Biodiversity with Action Plan (2018-2023) and the National Strategy for Nature Protection with Action Plan (2017-2027) will continue.

- The process of identification of habitat types and wild species of European importance will continue and Standard data forms for future potential Natura 2000 areas will be developed.
- The implementation of the GEF/UNEP Project "Achieving biodiversity protection through creation and effective management of protected areas and biodiversity maintenance in land use planning" will continue (STAR 5). Under coordination of the MoEPP and in cooperation with UNEP and the IUCN ENCARO Office in Belgrade, a draft Management Plan for Shar Mountain, a Valorisation Study and a draft Management Plan for Lake Ohrid will be prepared.
- An IPA project for Natura 2000 and CITES will be launched, which will continue the process of identification of habitats and species of EU importance in order to determine future areas for Natura 2000, as well as to improve the implementation of EU Regulation 338/97 on protection of wild fauna and flora species by regulating their trade.
- The regional ADAPT project "Nature-based for more resilient societies in the Western Balkans" will continue with realisation.
- A Catalogue of Habitats of European Importance under the Habitats Directive will be developed.
- A National Nature Information System will be established.
- The Sixth National Report on the Convention on Biological Diversity (CBD) will be prepared and submitted to the Secretariat of the Convention on Biological Diversity (CBD).
- An **Action Plan to combat wildlife poisons** will be adopted.
- The regional biodiversity task force (BDTF) will continue to work towards meeting the objectives of the EU Green Agreement, the new EU Biodiversity Strategy after 2020, as well as the recommendations of COP 15 of the Convention on Biodiversity.
- The implementation of projects to support the costs related to protected areas in the Prespa and Ohrid

Region will continue within the Prespa-Ohrid Nature Fund.

- The capacities of the MoEPP, the public institutions NP Pelister, NP Mavrovo and NP Galichica and other entities for management of protected areas will be strengthened by holding trainings and workshops.
- Trainings will be conducted to raise public awareness of the importance of the Natura 2000 environmental network for all stakeholders.
- Trainings for implementation of EU measures in the area of nature protection will be realised.

### Institutional framework and implementation

Strengthening the capacities of the Sector for Nature with new employments is envisaged.

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## Medium-term priorities (2023-2025)

### Legal framework

Bylaws will be adopted according to the Law on Nature Protection, which are harmonised with the Directives on Habitats and Birds:

- A Decree on Lists of European Habitat Types and European Species, including the priority European Habitat Types and Priority European Species for which it is necessary to designate European Areas and the List of Bird Species for which it is necessary to designate European Bird Areas;
- A Rulebook on criteria for selection of sites that are appropriate for identification and determination as European areas;
- A Rulebook on the form and content of the data sheet on a European Area and European Bird Area;
- A Rulebook for appropriate evaluation of plans and projects in nature;
- A Decree on establishing the National Ecological Network, as well as measures for protection of the areas of the ecological network;
- National Red Lists for various taxonomic groups of plants and animals will be prepared;
- A Law on Regulation of International Trade in Wild Endangered Plants and Animals will be adopted, harmonised with Regulation 31997R0338;
- The process of valorisation/revaluation of the natural values of the protected areas and valorisation of the natural rarities will be continued;
- The process of declaring protected areas and natural rarities will continue in accordance with the existing Law on Nature Protection;
- Protected area management plans will continue to be developed;
- The realisation of the activities from the National Strategy for Nature Protection with an Action Plan (2017-2027) will continue;
- The process of identification of habitat types and wild species of European importance will continue, and Standard data forms for future potential Natura 2000 areas will be developed;

- The implementation of projects to support the costs related to protected areas in the Prespa and Ohrid Region will continue in the framework of the Prespa-Ohrid Nature Fund.

## Institutional framework and implementation

Strengthening the capacities of the Sector for Nature with new employments is envisaged.

Establishment of the Institute/Agency for nature protection, as an expert legal body, according to the recommendations from the IPA project for NATURA and the Proposal Law on Nature Protection are also envisaged.

Trainings will be conducted in order to raise the public awareness of the importance of the Natura 2000 environmental network for all stakeholders. Trainings on implementation of EU measures in the area of nature protection will be realised. The Regional Biodiversity Task Force (BDTF) will continue to work towards meeting the objectives of the EU Green Agreement, the new EU Biodiversity Strategy after 2020, as well as the recommendations of COP 15 of the Biodiversity Convention.

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# CONTROL OF INDUSTRIAL POLLUTION AND RISK MANAGEMENT

THE NEW LEGISLATION ON INDUSTRIAL EMISSIONS WILL BE TRANSPOSED AND IMPLEMENTED IN THE COMING PERIOD, THAT IS, DIRECTIVE 32010L0075, INCLUDING CAPACITY BUILDING.

## Current situation

The draft Law on Industrial Emissions, which is harmonised with the Industrial Emissions Directive 2010/75/EU, is in the phase of finalisation.

A total of 3 new applications for obtaining A-IPPC permit were submitted to the MoEPP during 2020, bringing the total number of submitted applications to 175. Fifteen A-integrated environmental permits were issued in 2020, including 2 amendments to A-integrated environmental permits and 2 B-integrated environmental permits. Ten draft A-integrated environmental permits have been prepared. Four applications for obtaining A-integrated environmental permits are under review. The permits for compliance with operational plan determine the dynamics of achieving the standards in order to be able to obtain an integrated environmental permit. In order to prepare a database of issued permits, a register of issued A and B integrated environmental permits and permits for compliance with operational plan is kept.

## Institutional framework

Employees of the Sector for Industrial Pollution and Risk Management participated in trainings organised by TAIEX and other ongoing projects related to the Industrial Emissions and Minerals Directive.

Please refer to Section 3.27.1 Horizontal Legislation for more details.

## Short-term priorities (2021-2022)

### Legal framework

- A new **Law on Industrial Emissions** will be adopted in 2021, which will transpose the Industrial Emissions Directive 2010/75/EU.
- The review of the received requests for obtaining integrated environmental permits for compliance with operational plan and preparation of draft permits for the same will continue. At the same time, permits will be prepared and all procedures will be implemented in accordance with the procedure for obtaining integrated environmental permits and permits for compliance with operational plan. In addition, special efforts will be made in the area of public participation in the issuance of permits.

### Institutional framework

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Continuous update of the **register of systems in which hazardous substances are present** is envisaged in the area of accident prevention involving hazardous substances, as well as additional activities in order to define a preliminary list of operators where a potential accident with presence of dangerous substances may have cross-border consequences.

# CHEMICALS

THE REACH AND CLP REGULATIONS ARE TRANSPOSED INTO THE LAW ON CHEMICALS<sup>117</sup> IN THE AREA OF CHEMICALS AND THEY ARE WIDELY USED IN THE REGULATION OF CHEMICALS APPLIED IN EVERY SPHERE OF OPERATION, BOTH IN BUSINESS RELATIONS AND IN INSTITUTIONS AND REGULATORY BODIES AT A NATIONAL LEVEL. IMPLEMENTATION OF THE REACH PROVISIONS WILL ESTABLISH A BETTER CHEMICAL RISK MANAGEMENT SYSTEM TO PROTECT HUMAN HEALTH AND A CLEANER ENVIRONMENT. THERE IS CONTINUOUS IMPLEMENTATION OF THE HYDROGEN CHLOROFUOROCARBON (HCFC) ELIMINATION PLAN IN THE COUNTRY. THE PLAN IS TO ADOPT A NEW LAW ON BIOCIDAL PRODUCTS, HARMONISED WITH REGULATION 528/2012 ON BIOCIDAL PRODUCTS.

## Тековна состојба

- Two international instruments were ratified in February 2020 with the adoption of the **Law on Ratification of the Amendment to the Montreal Protocol on Substances that Deplete the Ozone Layer**<sup>118</sup>, as well as the **Law on Ratification of the Minamata Convention on Mercury**<sup>119</sup>.
- The **REACH Regulation** has been transposed into the Law on Chemicals in the area of chemicals and is widely used in relation to chemicals, in terms of their safe use and utilisation. The implementation of the provisions of the REACH regulation establishes a better system of chemical risk management in order to protect human health and ensure a cleaner environment. The classification, labelling and packaging of chemicals according to a Globally Harmonised System is transposed in the Law on Chemicals, which provides a unique warning system about the danger of the chemicals and products that are traded in the country. The system of prior notification for certain substances (PIC procedure) for which a restriction and/or prohibition for use in the production of products containing the substance has been established, gives consent for their use and/or prohibition, and in order to promote and divide the responsibilities in the international trade in chemicals, the regulation on import-export of hazardous chemicals is also transposed into the Law on Chemicals. The CLP Directive is transposed

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117 Official Gazette No. 145/10, 53/11, 164/13, 116/15, 149/15 and 37/16

118 Official Gazette No. 34/20

119 Official Gazette No. 34/20



into the Law on Chemicals and the Rulebook on classification and labelling of hazardous chemicals.

- Draft bylaws have been prepared in which the EU measure 32009R1005 will be transposed in terms of management and control of the substances from the Annexes to the Montreal Protocol for substances that deplete the ozone layer.
- The National Implementation Plan for Reduction and Elimination of Persistent Organic Pollutants (POPs) is being implemented continuously.

A **Multi-Partnership Environmental Fund was established** as a part of the project for cleaning of sites contaminated with  $\alpha$ -HCH,  $\beta$ -HCH and  $\gamma$ -HCH (lindane) in OHIS. Important decisions have been made and activities to clean up the pollutants will begin in early 2021.

- An agreement was signed for cleaning of the small pool in Ohis (Lot 1) which will be realised with funds from UNIDO. This will enable rehabilitation of 450 tons of HCH and 200 tons of polluted soil.
- UNOPS will identify the most effective tender approach in the selection of a contractor for cleaning Lot 2 (waste remediation - 1,151 tons of HCH and 3,860 tons of soil contaminated with HCH) and Lot 3 (remediation of 1,000 tons of contaminated concrete HCH and plant site revitalisation/ recultivation) in accordance with the organisational procurement regulations. UNOPS will consider the option of recognizing and re-using of UNIDO's tender results during the first quarter of 2021.
- The estimated cost-sharing related to the cleaning of the small pool would be as follows:
  - EUR 2 million are provided through UNIDO, GEF project (Lot 1);
  - EUR 5.4 million through UNOPS (Lot 2);
  - EUR 1 million through UNOPS (Lot 3).
- The funds are provided in this phase through UNOPS and UNIDO in the amount of EUR 3.5 million, of which:
  - EUR 1 million from the Government of North Macedonia;
  - EUR 1.5 million from the Government of Norway;
  - EUR 2 million from UNIDO.
- The funding for the EUR 3.9 million shortfalls will be provided by the Government of North Macedonia and the EU. The Government has confirmed in writing to UNOPS and the Embassy of the Kingdom

of Norway that it will provide EUR 1.4 million from its own national budget for 2021 to clean up the small OHIS pool, while the EU will provide EUR 2.5 million from IPA 3 funds. The signing of the contract could happen in late 2021 or early 2022. This will not jeopardize the progress of the clean-up, as the funding provided through this activity, and the funding provided and confirmed by the Government, is sufficient to sustain the activities.

Conducting a public awareness campaign is also planned in order to raise the awareness of various target groups (government institutions, local communities, media, NGOs, the public, and especially the vulnerable population) about the upcoming activities aimed at clearing of the contaminated sites in OHIS.

- A **training of customs officials on the control of substances, mixtures and equipment controlled** by the Montreal Protocol on Ozone Depleting Substances was organised as a part of the implementation of the *HCFC Substances Elimination Plan* and in order to strengthen the control over the management of substances under the Montreal Protocol. A Manual for Control of Substances, Mixtures and Equipment Controlled by the Montreal Protocol on Ozone Depleting Substances has been developed, as well as a mini-brochure on "Protecting the Ozone Layer – Preventing Illegal Trafficking in Substances Depleting Ozone Layer" in support of these activities.
- 183 companies-owners of equipment and 1,129 pieces of equipment were registered (612 pieces were recorded, and 517 pieces were recorded and labelled) according to the records that pertain to the equipment that includes 3 and more kilograms of refrigerant.
- 131 licenses were issued during 2020 for import of refrigerants and other chemicals that are under the jurisdiction of the MoEPP, as well as 35 licenses for import and export of refrigeration equipment.

Please refer to Section 3.27.1 Horizontal legislation for more information about the institutional framework.

## Short-term priorities

### Legal framework

Regarding the management and control of the substances from the annexes of the Montreal Protocol on ozone depleting substances, it is planned to adopt the following bylaws in which the EU measure **32009R1005** will be transposed:

- An Order for reduction of the import of ozone depleting substances;
- An Order banning the import of chlorofluorocarbons (HCFCs);
- An Order banning the trade with 1,1-dichloro-1-fluoroethane (HCFC-141b) and mixtures containing HCFC-141b.

The Ministry of Health, as the competent institution for implementation of the Law on Chemicals, currently registers the legal entities that trade in chemicals and trade in precursors and produce chemicals. The registration of biocidal products and detergents that are placed on the market is happening on ongoing basis.

The One-Stop-Shop system for permits for import, export and transit of goods controls the chemicals the use of which is restricted and prohibited. The control over the implementation of the globally harmonised system for classification, packaging and labelling of chemicals is performed with regular inspection supervisions.

Cooperation with relevant scientific institutions at national level, with the European Chemicals Agency and other European and international institutions continues.

The Sector for Chemicals in the Ministry of Health plans the following activities in the envisaged time frame in order to establish databases that will enable monitoring of information related to the chemical management system:

- Revising and supplementing the Register of legal entities dealing with chemicals;
- Revising and supplementing the Register of legal entities dealing with biocidal products;
- Revising and supplementing the Register of legal entities working with detergents.

The following activities are envisaged for implementation of the

**Minamata Convention:**

- Update of data related to the state of mercury in the country;
- Revision of the existing scheme for synergistic implementation of international chemical agreements for the purpose of inclusion of the Minamata Mercury Convention;

As a part of synergy and **strategic chemicals management** activities, the following is planned:

- Review of the institutional framework for chemicals and waste;
  - Review of the legal framework for chemicals and waste; and
  - Training on strengthening the institutional capacities for synergy in the management of chemicals in all phases of the life cycle, as well as for synergistic implementation of the obligations towards the conventions governing the management of chemicals and waste (**Basel, Rotterdam, Stockholm and Minamatae**);
  - Preparation of an Action Plan for Strategic Chemicals Management.
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## Medium-term priorities

Transposition of **Regulation (EU) 528/2012** on placing on the market and use of biocidal products in the national legislation is planned with the adoption of the **Law on Biocidal Products** (2023) in the aspect of competencies of the Ministry of Health.

Defining a fourfold scheme for synergy of international agreements on chemicals and waste is planned in 2023 regarding the Minamata Convention.

The Ministry of Health is responsible for implementation of **Regulation 649/2012 on export and import of hazardous chemicals**. The legal basis for transposition of this Regulation is set out in the Law on Chemicals. The following is planned to be adopted:

- a Rulebook Amending the Rulebook on cases for which PIC (Prior Information Consent) is implemented and the content of the request;
- Amendments to the Rulebook on the cases in which the prior notification procedure is conducted, the cases in which no further implementation of the prior notification procedure is required, the content of the export notification and the documents submitted for the purpose of conducting the prior notification procedure;
- Amendments to the List of hazardous chemicals and products whose export is prohibited;
- Amendments to the List of states - parties to the Rotterdam Convention requesting information on the transit of chemicals and content of that information;
- Amendments to the Rulebook on the manner of classification, packaging and labelling of chemicals;
- A **Manual with guidelines for preparation** of a safety sheet, which arises from the Law on Chemicals and which will be harmonised with Regulation 830/2015.

## Institutional framework and implementation

Strengthening the Sector for Chemicals at the Ministry of Health with new employments is planned in order to improve the functionality in the area of implementation of the legislation and greater efficiency in the work. Strengthening the inspection service by hiring new inspectors is planned.

Activities for synergy and strategic management of chemicals and waste will continue. An Action Plan for Strategic Chemicals Management will be adopted.

The project "Removal of technical and economic barriers to start with cleaning activities at sites contaminated with  $\alpha$ -HCH,  $\beta$ -HCH and  $\gamma$ -HCH (lindane) in OHIS" will continue to be implemented. The implementation of the Hydrogen Chlorofluorocarbons (HCFC) Elimination Plan in the country will continue.

## Programmes and projects

The project implemented within the IPA cooperation with the European Chemicals Agency (ECHA) "Preparatory measures for participation of candidate and potential candidate countries for EU and their cooperation" continues.

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## Medium-term priorities

- During this period, it is planned to adopt a **Rulebook on the types of hazardous substances and quantities for presence of hazardous substances**, as well as a **Rulebook on closer criteria on the basis of which it is determined in which cases a certain accident is considered an accident**. Both regulations will be harmonised with the **SEVESO III Directive 32012L0018**.
  - In the area of prevention of accidents involving hazardous substances, it is planned to continuously update the register of systems in which hazardous substances are present, as well as to define a preliminary list of operators where a possible accident with the presence of hazardous substances may have cross-border consequences.
  - Depending on the approved financial resources, it is planned to continue the activities in relation to activities for promotion of ecological labelling.
  - In the area of integrated pollution prevention and control, trainings will be conducted for implementation of the procedure for issuing integrated environmental permits.
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# GENETICALLY MODIFIED ORGANISMS

## Current situation

A draft version of a bylaw was prepared during 2020 for Risk Assessment for Restricted Use of GMOs, which will transpose the EU measure 32009L0041, in order to implement the provisions of the Law on Genetically Modified Organisms (Official Gazette No. 35/08, 163/13 and 146/15) regarding the category of limited use of GMOs.

## Short-term priorities

- The harmonisation of the national legislation on GMO in accordance with the EU legislation will continue by adopting amendments to the Law on Genetically Modified Organisms, which will further transpose the EU measures 32001L0018 and 32009L00411.
- Adopting a bylaw on Risk Assessment for limited use of GMOs is planned, which will transpose the EU measure 32009L0041 in accordance with the Law on Genetically Modified Organisms.

## Institutional framework

The competent body for implementation of the Law on Genetically Modified Organisms and of the regulations adopted on the basis of this Law is the MoEPP. The Sector for Nature has a Unit for Biodiversity and Genetically Modified Organisms within the Department of Environment (EIA). Currently, there is 1 job position that performs the activities related to GMO.

The Food and Veterinary Agency is responsible for issuing GMO food production approvals (see Chapter 3.12 Food Safety, Veterinary and Phytosanitary Policy for more details) pursuant to the Law on Food Safety. The Ministry of Agriculture, Forestry and Water Economy (MAFWE) also has competencies in the management of GMOs in the part of the procedure for placing GMO products on the market.

## Medium-term priorities

The possibility of initiating a procedure for ratification of the Protocol on Liability and Compensation of Damage in accordance with Article 27 of the Cartagena Biosafety Protocol will begin to be considered.

## area 3.27.9.

# NOISE

THE IMPLEMENTATION OF THE NATIONAL LEGISLATION ON NOISE WILL CONTINUE, AS WELL AS FURTHER HARMONISATION WITH THE EU LEGISLATION IN THIS AREA AND PREPARATION OF STRATEGIC MAPS AND ACTION PLANS FOR NOISE.

## Current situation

Strategic noise maps and noise action plans derive from the EU Noise Directive 32002L0049 which is transposed into the Law on Noise. Their drawing up is envisaged within an IPA project.

The MoEPP, as a continuous activity regarding noise monitoring, collects and processes data from communal noise measurements performed by the Institute of Public Health and 10 centres for public health, of which only 3 centres (Bitola, Kumanovo and Kichevo) collect and process data from measurements from other laboratories, which refer to the noise created by different categories of noise generators (industry, airports, catering and tourism facilities, other activities).

## Short-term priorities

The implementation of the IPA 2 Project for preparation of **Strategic Noise Maps and Noise Action Plans** will begin during 2021. Drawing up of strategic noise maps and noise action plans will provide a complete picture of the noise level in the environment, as well as the measures that will be taken in order to reduce the noise level, and thus reduce the harmful effects that arise from it. The project will include representatives from the MoEPP, as well as representatives from the municipalities of Kumanovo, Tetovo, Bitola and the City of Skopje.

## Institutional framework

Strengthening the capacities of the MoEPP and the LSGU is planned for noise management at central and local level with new





employments and implementation of trainings, which refer primarily to implementation of the legislation in the area of environmental noise at both central and local level.

## Medium-term priorities

- A **bylaw** will be adopted on specific types of particular noise sources during this period, as well as the conditions for protection from noise caused by road, rail, air and water traffic, which will transpose the following EU measures: 31984L0372, 31989L0629 and 31998L0020. The control of noise, which originates from road, rail and water traffic, will be regulated and the standards for protection from environmental noise caused by these noise sources will be determined by adopting this Rulebook.
- The IPA 2 project for preparation of strategic noise maps and noise action plans will be implemented. Trainings will also be conducted involving several experts from EU countries who already have experience in preparing strategic noise maps.

## Institutional framework

- Activities for establishment of a **Geodetic Information System** (GIS) of environmental noise data will begin during this period in order to fully implement the requirements of the EU Directive on the establishment of an infrastructure for spatial information in the EC

(INSPIRE). The Directive provides a legal framework for implementation of European Infrastructure for Spatial Information and will be one of the main components of the European Environmental Information System (SEIS).

- Activities will be initiated to establish the **information system** on the state of environmental noise, as part of the overall environmental information system in the country, which will include data obtained from noise monitoring, strategic maps and action plans and other relevant data obtained with individual noise measurements.
  - Activities for establishing and maintaining a **cadastre of environmental noise generators** will begin.
-

# FORESTRY

## Current situation

Thirty nine percent of the territory of the country is under forests (1,001,665 ha). There are only two types of forest ownership - state and private - of which 89.1% are state-owned forests and 10.9% are privately owned forests (State Statistical Office, 2015) according to the Law on Forests. The state forests are managed by the Public Enterprise National Forests, while the forests in the protected areas are managed by public institutions, national parks and the Public Institution for Management of the Multipurpose Area Jasen.

The Forestry and Hunting Sector at the Ministry of Agriculture, Forestry and Water Economy (MAFWE) started the following activities regarding the regulations for wood and wood assortments, the EU regulations EUTR 995/2010 and 607/2012, the EU regulations FLEGT 2173/2005 and 1024/2008, the EU Decision LULUCF 529/2013 from the explanatory meeting held in May 2019:

- The **IPA project for Overview of the area of forestry in North Macedonia** and drawing up of an **IPA forestry project for 2019** were completed with the support of the European Union, in June 2020. The main objective of the project was to facilitate the implementation of relevant EU strategies and policies in the forestry sector and to strengthen the development of the forestry sector in the country. The project also made an analysis of the legislation and the administrative capacity in the forestry sector.
- A tender procedure is ongoing for the **IPA project "Strengthening the management of the area of forestry"**. The project aims to support the MAFWE for evaluation of the status and upgrade of the legal framework for regulating the activities in the area of forestry, as well as for preparation of the national policy after 2020 in view of the EU accession.

## Institutional framework

The structure related to the area of forestry at the **Ministry of Agriculture, Forestry and Water Economy (MAFWE)** is as follows:

Sector for Forestry and Hunting with 4 units: Protection of forests from biotic and abiotic factors; Forest cultivation and afforestation; Landscaping and use of forests and Hunting; Forest Police Sector with 30 forest police stations and one internal control unit. The total number of employees, mainly forest police officers, is 384.

The **Forestry and Hunting Inspectorate** (FHI) is an entity within the MAFWE and under the authority of the Government Inspection Council to which all inspectorates report. The Inspectorate has one central (administrative) and 5 regional (operational) units.

## Short-term priorities

The current organisation of the area of forestry will be assessed within the IPA project "Strengthening the management of the forestry sector" in order to improve the institutional set-up by optimising the role and responsibility of each participant. The following activities will be realised within the project:

- Drafting of a **new Law on Forests**, which will be harmonised with European regulations;
- Establishment of an **integrated forestry information system**;
- Implementation of a **forest certification scheme**, etc.

A **Programme for expanded forest reproduction for 2021** will be adopted according to the Law on Forests.

Identification and designation of a competent institution/s for implementation of the Regulation EU/995/2010 laying down the obligations of operators who place timber and timber products will be also carried out.

## Medium-term priorities

The new Law on Forestry will transpose the EU FLEGT Regulations 2173/2005 and 1024/2008 and is planned to be adopted in 2023.



## Institutional framework

The following activities will be implemented in this period:

- Establishment of an integrated forest information system (IFIS);
- Forest inventory; and
- Promoting and establishing the sustainability of forestry and approximation of the area of forestry closer to the modern European forestry.





# CLUSTER 5





# RESOURCES, AGRICULTURE AND COHESION

A photograph of a tractor with a trailer in a field, overlaid with a semi-transparent blue filter. The tractor is positioned in the middle ground, facing right. The field is filled with tall, golden-brown grasses. The overall image has a soft, slightly blurred quality.

**The Resources, Agriculture and Cohesion cluster** defines the short and medium-term priorities related to agricultural and rural development reforms, food safety, veterinary and phytosanitary policy, fisheries, regional policy and coordination of structural instruments, and financial and budgetary provisions. These are particularly important areas that should contribute to the development of agriculture, regional and local development, and prepare the country for future participation and efficient use of funds from the EU common agricultural policy, structural and cohesion funds and future participation in the EU Budget.

The cluster covers chapters **(11,12,13,22, 33)**.

The **Strategy for Agriculture and Rural Development** will be implemented as well as the relevant programmes. The **quality** policies of the agricultural products will be improved, the new framework legislation and bylaws will be adopted in the chapter of **food safety, veterinary and phytosanitary policy**, harmonised with the latest European legislation. Structural measures and state aid will be continued in the chapter on fisheries and aquaculture. The agricultural policies are also horizontally embedded with the UN Green Agenda 2030, on *sustainable agriculture, prevention of land degradation and biodiversity loss, sustainable forest management and sustainable consumption and production*.

Activities will be carried out for **building the staff retention policy** in the IPA operating structures - sectoral groups, and further strengthening of capacities for IPA-sector programming, including **IPA 3**, for use, monitoring and evaluation, and financial control of IPA funds.

The adopted long-term **Regional Development Strategy** will be implemented, with **5-year development programmes, for each of the 8 planning regions, with special Action Plans for local sustainable development**. The capacities for the establishment of the system of **own resources** will be further strengthened by adapting the customs, tax and statistical system, with the future **integrated information system for public financial management**.

The cluster is directly linked to the cluster **Fundamentals** - Economic Governance, **Green Agenda and Sustainable Connectivity**, Internal Market, *Competitiveness and Inclusive Growth* and External Relations.

The priorities of the Resources, agriculture and cohesion cluster are related to the **strategic priorities** of the Government in terms of accelerated

and sustainable economic growth, higher *standards* and *environmental protection, green development*, reduction of air pollution and the impact of climate change.

The priorities are also related to certain objectives and structural reforms of the **PER**, such as the development of the agricultural sector through the improvement of the *irrigation systems and consolidation of agricultural land*.

In terms of the Instrument for Pre-Accession Assistance (**IPA-3**), the reforms are related to WP4: Competitiveness and Inclusive Growth and WP2: Good Governance, acquis, good neighbourly relations and strategic communication.

**UN Sustainable Development Goals (SDGs)** to reduce poverty and hunger - *access to food for all, health, water, sustainable consumption and products, sustainable agriculture, protection and sustainable use of ecosystems, sustainable forest management, halting land degradation and biodiversity loss* are also addressed through this cluster reform.

In terms of planned **financial resources**, about EUR 770 million are foreseen for the reforms in this cluster from the national Budget and about EUR 55 million from IPA and other donor assistance for the next five years (including loans).

# AGRICULTURE AND RURAL DEVELOPMENT

## Findings and recommendations from the EC 2020 Report

### Findings and recommendations from the EC 2020 Report

North Macedonia remains **moderately prepared** in the area of agriculture and rural development. **Good progress** was made in the reporting period, in particular as regards the implementation of the Instrument for Pre-Accession Assistance for Rural Development (IPARD II) and the Farm Accountancy Data Network (FADN).

As not all 2019 recommendations were implemented, in the coming year the country should in particular:

- ▶ take strategic decisions on the decoupling of the direct payments and strengthen the role and capacity of the paying agency concerning the integrated administrative and control system (IACS);
- ▶ implement actions for further institutional and legal alignment with the EU acquis in the area of the common market organisation;
- ▶ increase the administrative capacity of the IPARD Managing Authority and IPARD Agency to ensure full implementation of the available IPARD II funding.



# SUMMARY

The laws on which agriculture and rural development are based have already been adopted. An Integrated Administrative Control System (IACS) has been established, and the systems for implementation of the financial support programmes: Single Register of Agricultural Holdings (ERZS), Land Parcel Identification System (LPIS), Agricultural Market Information System (AMIS) and Farm Accountancy Data Network (FADN) are functional.

Within the successfully completed Twinning project "Finalisation of the accountancy data network from agricultural holdings" the national legislation is harmonised with the EU legislation for FADN and the EU methodology for FADN, the quality has improved and the use of FADN data has increased.

In 2019, the new Law on Tobacco, Tobacco Products and Related Products was adopted, which will improve the legal provisions that will regulate the market of tobacco products and related products. This Law is partially harmonised with Directives 40/2014 and 64/2011.

The National Strategy for Agriculture and Rural Development for the period 2014-2020 - NSARD (Official Gazette No. 197/14) and the National Programme for Agricultural and Rural Development 2018-2022 (Official Gazette No. 32/18) envisage rural development measures which will be implemented through the Programme for financial support of rural development within the framework of which national funding will be used for improving the situation in the agriculture and rural development.

In 2019, the Programme for financial support of the rural development for 2020 was adopted, in which the guidelines from the NSARD will be realised with measures for financial support.

The implementation of the National Plan for Organic Production for the period 2013-2020 is ongoing, which is part of the National Strategy for Agriculture and Rural Development 2014-2020.

The markets regulation and the minimum quality standards of agricultural products in order to be placed on the market are regulated by the Law on Quality of Agricultural Products. Chapter III of the Law regulates quality protection of agricultural and food products with a designation of origin, a geographical indication and a designation for a traditional speciality. The Law on Quality of Agricultural Products is generally in line with the European regulations and rules in the relevant areas.

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# HORIZONTAL ISSUES

## Current situation

According to the Law on Agriculture and Rural Development (Official Gazette No. 49/10, 53/11, 126/12, 15/13, 69/13, 106/13, 177/14, 25/15, 73/15, 83/15, 154/15, 11/16, 53/16, 120/16, 163/16, 74/17, 83/18 and 27/19, 152/19 and 244/19), a National Development Programme for Agriculture and Rural Development for the period 2018-2022 (Official Gazette No. 32/18) was adopted. Based on this Programme, the Programme for financial support in agriculture for 2020 and the Decree on closer criteria for direct payments, beneficiaries of funds, maximum amounts and method of direct payments for 2020 were adopted (Official Gazette No. 278/2019). The Ministry of Agriculture, Forestry and Water Economy (MAFWE) is responsible for programming of direct payments and other measures intended for the development of the agricultural sector, as well as for the establishment of all systems and registers necessary for the implementation of the support measures.

Since the beginning of 2020, the Agricultural Market Information System (AMIS) continuously collects, processes and checks the quality and reliability of information submitted by the market data providers, and publishes daily market information on the website [www.zpis.gov.mk](http://www.zpis.gov.mk). Weekly and monthly reports are published regularly, and the Annual Report on AMIS 2020 was published on 1 February 2021, which provides an overview of the movements in prices of agricultural products for the past two years, pursuant to EU regulation CR (EC) No.479/10.

The "supply-demand" sub-domain is fully operational, with which the interested parties (producers of agricultural products and buyers of agricultural products, agricultural cooperatives, etc.) can offer and/or request data on available quantities, quality and prices of agricultural products and livestock.

Under the Plan for the selection of representative agricultural holdings for 2020, the structure of the sample according to the basic type of agricultural production and class of economic size includes a total of 750 agricultural holdings from which accounting data is collected.

The preparation of the selection plan for 2020 is based on data from the structural surveys of agricultural holdings conducted in 2016 and the data for the reference period 2013, which significantly improves the representativeness of the sample. Testing activities



and error corrections in the data set for 2019 are underway, entered in the new software for FADN.

A new platform for LPIS was developed as part of the project "Future upgrade of the Agricultural Information System (AIS)", funded by IPA - TAIB 2011. The platform is in the testing phase and is expected to improve the quality and availability of market data to end-users. Systematic updating of the LPIS data is underway in order to improve their quality. New LPIS parcels are also being registered. These activities are directly related to the application process for direct payments for financial support in agriculture where the LPIS is one of the registers of the integrated administration and control system used in this process.

In 2017, the MAINLAND project was started, funded by IPA 2015 and implemented by FAO. The realisation of a total of 23 feasibility studies, preparation of 9 consolidation plans and 4 implemented consolidation projects are planned in the period 2017-2020 within the frames of this project. The deadline for finalising the project has been extended and is now expected to end in December 2022.

The implementation of the Programme for financial support in agriculture is realised and monitored through the Integrated Administrative Control System - IACS. Primary modules of IACS are: the System for receiving and processing requests for financial support, the Integrated Control System (ICS) and the Payment Authorisation System, and it also includes an additional module for a price reference database. The software configuration is underway and is in the final testing phase.

In terms of the data entry process in the software solution for direct payments in agriculture, which will be realised through the regional units of the MAFWE, it is envisaged to provide telecommunication access to the existing software solution, which will enable data entry from external locations.

In order to approximate and harmonise the existing IACS with the European legislation, the Law on Agriculture and Rural Development is being amended in relation to the part that regulates the functioning of the IACS. With the amendments to the Law, AFSARD will be the competent institution for implementation and management of all components of IACS. In this regard, preparations are underway for the transfer of the existing Land Parcel Identification System (LPIS) from the Ministry of Agriculture, Forestry and Water Economy

to AFSARD, along with the human resources that work with it. Additionally, an IPA project is being implemented for "Customised Software for Integrated Administrative Control System (IACS) for support in agriculture and rural development", which should integrate and upgrade the Single Register of Agricultural Holdings within the IACS into the AFSARD. Thus, the future financial support programmes in agriculture and rural development will have to be implemented only based on the Land Parcel Identification System (LPIS), i.e., based on the principles on which the financial support in the EU member states is implemented. After the building of the new LPIS software, it is planned to prepare a new amended Rulebook on LPIS. In terms of the current operation of LPIS, there is a continuous process of updating the existing and introduction of new LPIS parcels.

In addition, the project has also been extended on the implementation of the IPARD Programme which should increase the speed and effectiveness of processing of the applications for financial support under this programme.

A new Rulebook on the methodology for calculation of Standard Output coefficients was adopted, as well as the manner of collecting data and information from the network, the methodology for determining the typology of agricultural holdings, classification of agricultural holdings by type of agricultural production and economic size classes of agricultural holdings, the maximum number of accounting holdings and the minimum economic size of the accounting holdings; and the form and content of the Single Form for determining the income of agricultural holdings and analysis of the business operations of agricultural holdings (Official Gazette No. 138/20), harmonised with the current requirements of the EU FADN Regulation.

## Short-term priorities

### Legal framework

According to the National Strategy for Agriculture and Rural Development for the period 2021 - 2027 (Official Gazette No. 16/2021), the future measures for the development of the agricultural financing policy are defined, as well as the establishment of the systems and institutions necessary for their realisation. It is planned to prepare and implement the Programme for financial support of agriculture in 2021 and the Decree on closer criteria for direct payments for 2021.

New Law on Direct Payments in Agriculture is planned to be adopted in 2021.

## Institutional framework

It is planned to strengthen the capacity of all sectors that have a role in the horizontal activities for intensification of the European integration process in the area.

## Medium-term priorities

Also, it is planned to prepare and implement the Programme for financial support in agriculture for 2022 and 2023 and the Decree on closer criteria for direct payments, beneficiaries of funds, maximum amounts and the method of direct payments for 2022 and 2023.

For the needs of FADN, a Plan for the selection of representative agricultural holdings for 2022 and 2023 will be prepared.

It is planned to prepare a Rulebook on amendments to the Rulebook on determining representative markets for agricultural products and the type and scope, deadlines and entities subject to data delivery" by the end of 2022, which will be harmonised with Regulations 32017R1185 and 32019R1746. In order to implement these activities, it is necessary to increase and improve the administrative capacity to complete the preparations for implementation and practical application of the rules, methodology and standards of the common agricultural policy, especially inter-institutional cooperation for exchange of information and statistics for agricultural policy analysis.

In order to improve the quality of the LPIS data as well as to improve the efficiency and effectiveness of the LPIS, the updating of the physical blocks in the LPIS system will continue in the next period, which will classify them as reference parcels.

# COMMON MARKET ORGANISATION

## Current situation

In the Republic of North Macedonia, the Common Market Organisation (CMO) is not regulated by a single regulation as is the case in the EU, with Regulation (EU) 1308/2013 of the European Parliament and of the Council of 17 December 2013 establishing a common organisation of the markets in agricultural products, however several laws and bylaws are governing this area. The legal basis for regulation and support of the agricultural markets is the Law on Agriculture and Rural Development (Official Gazette No. 49/10, 53/11, 126/12, 15/13, 69/13, 106/13, 177/14, 25/15, 73/15, 83/15, 154/15, 11/16, 53/16, 120/16, 163/16, 74/17, 83/18, 27/19, 27/19 and Official Gazette No. 152/19, 244/19 and 275/19), which determines: intervention measures, measures to encourage consumption, market protection measures and the conditions for acquiring the status of a recognised organisation of producers, including conditions of their financing. Pursuant to the Law, 12 sub-sectoral permanent groups have been established in the Ministry of Agriculture, Forestry and Water Economy for certain agricultural products or product groups.

The section of CMO, which refers to the determination of market standards for quality of agricultural products, is regulated by the Law on Quality of Agricultural Products (Official Gazette No. 140/10, 53/11, 55/12, 106/13, 116/15, 149/15, 193/15 and 39/16). This Law determines the standards for quality, classification, quality labelling and information system for cereals and rice, flour, animal feed, fresh fruits and vegetables, eggs and poultry, beef, pork, lamb and goat meat, milk and dairy products, bee products, protection and registration of the geographical or traditional name of agricultural and food products with designation of origin, geographical indication and designation for guaranteed traditional speciality, as well as control and supervision over the implementation of the provisions of this Law.

The legal framework for regulating the wine sector and the wine market is further regulated by the Law on Wine (Official Gazette No. 50/10, 53/11.06/12, 23/13, 106/13, 188/13, 149/15, 39/16, 172/16, 235/19), as well as by the rulebooks adopted based on the Law.

Pursuant to the Law on Tobacco, Tobacco Products and Related Products, 17 bylaws have been prepared and published. In 2020, the electronic system for recording the agreed and purchased quantities of tobacco per buyer was put into use.

A very important project for CMO is underway, which started in December 2018, within IPA/2015/037-907, "Introduction and implementation of measures for CMO - Common market organisation", with reference number EuropeAid/139105/DH/SER. The overall objective of the project is to increase the market opportunities, economic development and overall production in the agricultural sector, while improving the competitiveness of the agricultural sector in line with the EU accession requirements. The specific objectives of the project are to strengthen the capacity of public institutions in designing, implementing and monitoring CMO policies, establishing harmonised market and intervention measures for selected product categories, and proper implementation of minimum standards for quality and marketing of fresh fruits and vegetables. Two detailed analyses of market chains in the wine and honey subsectors are currently being conducted. Technical specifications of the existing geographical indications for wine are also being prepared.

## Short-term priorities

As a short-term priority, it is necessary to increase the number of employees who will work on CMO, to systemically resolve the organisation of the CMO employees, because the common regulation of markets means a huge set of rules, the implementation of which requires an adequate number of human and technical resources.

It is planned to adopt, in 2021, a separate Law on Common Market Organisation and the Law on Changes and Amendments to the Law on Wine, which envisages additional harmonisation with the EU legal framework, that is, with the regulations for labelling and protection of wines with a geographical name, as well as the introduction of organic wine. After Law amending the Law on Wine is adopted, the respective bylaws will be drafted.

In order to align with European regulations, and given the need to regulate production, quality, description, labelling, marking, and other issues such as processing and storage that are important for

spirits, adoption of a Law on Strong Alcoholic Beverages is expected in 2022.

A new Law on Animal Husbandry is expected to be adopted by the end of 2021, which will achieve harmonisation with the EU Regulation 1012/2016.

## Medium-term priorities

In terms of products of plant origin, it is planned to adopt the remaining bylaws in accordance with the Law on Tobacco, Tobacco Products and Related Products, partially harmonised with the changes of the CMO for agricultural products within the EU.

In accordance with the recommendations from the project "Introduction and implementation of measures for CMO - Common Market Regulation", a new Law on Common Market Organisation is being drafted, as well as bylaws, in order to achieve a higher degree of harmonisation with European legislation, harmonisation with current and foreseen future EU policies, etc. Although some of these activities may be implemented during 2021, however, they require serious adjustments and more time to implement and are included in the medium-term planning and priorities.

## Programmes and projects

The implementation of the project "Introduction and Implementation of Common Market Organisation measures in the Republic of North Macedonia" started in December 2018, financed by IPA 2015.



# RURAL DEVELOPMENT

## Current situation

Pursuant to the Law on Agriculture and Rural Development, the Programme for financial support of rural development for 2021 has been adopted (Official Gazette No. 12/2021).

Measure 113 "Support for encouraging agricultural production", which stimulates the increase of sustainability of the agricultural activity of the agricultural holdings, whose holders are persons from the young population (18-40 years), was introduced in 2020. The support from this measure can amount up to MKD 1.2 million for the realisation period of the business plan.

Measure 123 "Investments for processing and marketing of agricultural products" expands the scope of financial support of investments for which an agreement has been concluded for the use of the IPARD for investments in post-harvest and processing facilities for small, micro and medium-sized enterprises and agricultural cooperatives that have concluded an agreement for the use of pre-accession assistance for rural development. After the realisation of the investment, they are required to return the amount of the received support as eight annual instalments.

To arrange the field covered by the project "Support for development of agricultural cooperatives in the Republic of North Macedonia" (EuropeAid/154252/DD/ACT/MK), funded by IPA 2015, a working group was established to prepare amendments to the Law on Agricultural Cooperatives. The working group decided to repeal this Law, and to regulate the cooperatives with the Law on Cooperatives. The financial support intended for agricultural cooperatives will be regulated by the Law on Agriculture and Rural Development.





## IPARD Programme 2014-2020

After the adoption of the Programme and re-accreditation of its measures in 2017, the implementation of the IPARD Programme 2014-2020 continued with public calls for submission of requests for use of funds from the Programme.

Six public calls have been announced by November 2020, as follows:

- Public call 01/2017 for submission of requests for use of funds from measures 1, 3 and 7;
- Public call 01/2018 for submission of requests for use of funds from measure 3;
- Public call 01/2018 for submission of requests for use of funds from measure 1;
- Public call 01/2018 for submission of requests for use of funds from measure 7;
- Public call 02/2019 for submission of requests for use of funds from measure 3; and
- Public call 01/2020 for submission of requests for use of funds from measure 1.

After summarizing the results of the previous public calls, an analysis will be made of the remaining funds for each of the Programme measures, and this will be followed by a third modification of the Programme in order to transfer the available funds from each measure to measure 7. During 2021 another public call for measure 7 is expected to be announced.

So far (as of November 2020), a total of 3,890 requests for use of funds from the Programme have been submitted. A total of 1,622 financial support agreements were concluded and 1,039 applications were rejected, which means that 1,229 applications are still being processed by the IPARD Agency.

| MEASURE      | REQUESTS SUBMITTED | EU PARTICIPATION   | REQUESTS APPROVED | EU PARTICIPATION  | REQUESTS AID | EU PARTICIPATION  |
|--------------|--------------------|--------------------|-------------------|-------------------|--------------|-------------------|
| MEASURE 1    | 3,251              | 57,306,327         | 1,485             | 14,207,820        | 1,020        | 6,509,136         |
| MEASURE 3    | 183                | 45,098,137         | 85                | 13,522,467        | 53           | 5,840,202         |
| MEASURE 7    | 448                | 85,164,058         | 44                | 4,445,858         | 12           | 643,472           |
| MEASURE 9    | 8                  | 142,348            | 8                 | 142,348           | 7            | 9,319             |
| <b>TOTAL</b> | <b>3,890</b>       | <b>187,710,870</b> | <b>1,622</b>      | <b>32,318,493</b> | <b>1,092</b> | <b>13,002,129</b> |

In the implementation of the Programme so far, the IPARD Management Body has modified the IPARD Programme 2014-2020 twice, and is now preparing a third modification. The rule for completeness of the submitted requests for use of funds from the Programme was introduced with the first modification of the Programme. This rule is introduced to accelerate the procedures for control of completeness and adequacy in AFSARD and opening the possibility for announcing more public calls for submission of requests for use of Programme funds. In addition, the modifications referred to some technical adjustments of the Programme, further specification of the List of Eligible Costs in terms of irrigation of new land areas, as well as the introduction of micro-enterprises as eligible under measure 3.

Using support from measure 9 (Technical Assistance), the IPARD Management Body hires expert services for the ex-post evaluation of the IPARD Programme 2007-2013. The final report from the ex-post evaluation was submitted to the Directorate-General for Agriculture in October 2020.

After the initial meetings with the experts engaged in the project on "Adaptation of an Integrated Administration and Control System (IACS)", the IPARD Management Body expects (as an outcome of the project work) secured user access to the AFSARD databases. The realisation of the activities in this module of the project will enable accurate and timely information on the status of implementation of the IPARD Programme, which positively reflects on the monitoring and reporting functions for the implementation of IPARD.

In terms of communication and publicity of the Programme, using the support from measure 9, the IPARD Management Body conducted extensive information and publicity campaign. The campaign was conducted during 2019 and 2020 and included informative events of various nature (info days for users, workshops, forums, making and broadcasting videos, preparation and printing of informative materials - request, instructions, brochures, posters, banners).

## Short-term priorities

The total budget of the Programme for financial support of rural development for 2020 (Official Gazette No. 278/19, 13/20, 26/20, 89/20, 112/20, 153/20 and 264/20) amounts to MKD 980,380,000,

distributed by items: item 464 Miscellaneous transfers in the amount of MKD 190,380,000, and item 489 - Capital subsidies for enterprises and non-governmental organisations in the amount of MKD 790,000,000, and covers 19 measures for financial support of rural development and 3 measures for technical assistance in rural development.

After the adoption, it underwent changes that redistribute the funds between measures (for realisation of outstanding liabilities in relation to initiated procedures), that is, the total amount of funds for rural infrastructure measures was increased by MKD 80,000,000. One of the amendments to the Programme was made in accordance with the Decision on redistribution of funds among the budget users of the central government and among the funds for remediation of the consequences in the economy caused by the COVID-19 pandemic.

The Programme for financial support of rural development for 2020 plans to monitor the dynamics of capital investments payment.

In parallel with the adoption of the Law on Direct Payments in Agriculture in 2021 it is planned to adopt a Law on Rural Development as well.

Given the assumptions of the IPARD Agency for reservation of financial allocations for each measure individually, the third modification of the IPARD Programme will be financial in order to redirect the available funds from the other measures in measure 7. Considering that until the adoption of the IPARD Programme 2021-2027 another public call remains to be announced in the forthcoming period, the IPARD Management Body is planning a new campaign for communication and publicity of the Programme with special emphasis on the promotion of good practices from the implementation of IPARD and maintaining the actuality of the Programme in anticipation of the new programming period. In 2021, the administrative capacity of the IPARD Sector will be strengthened with employment and/or promotion and training of the additional employed persons and further training of the existing employees.

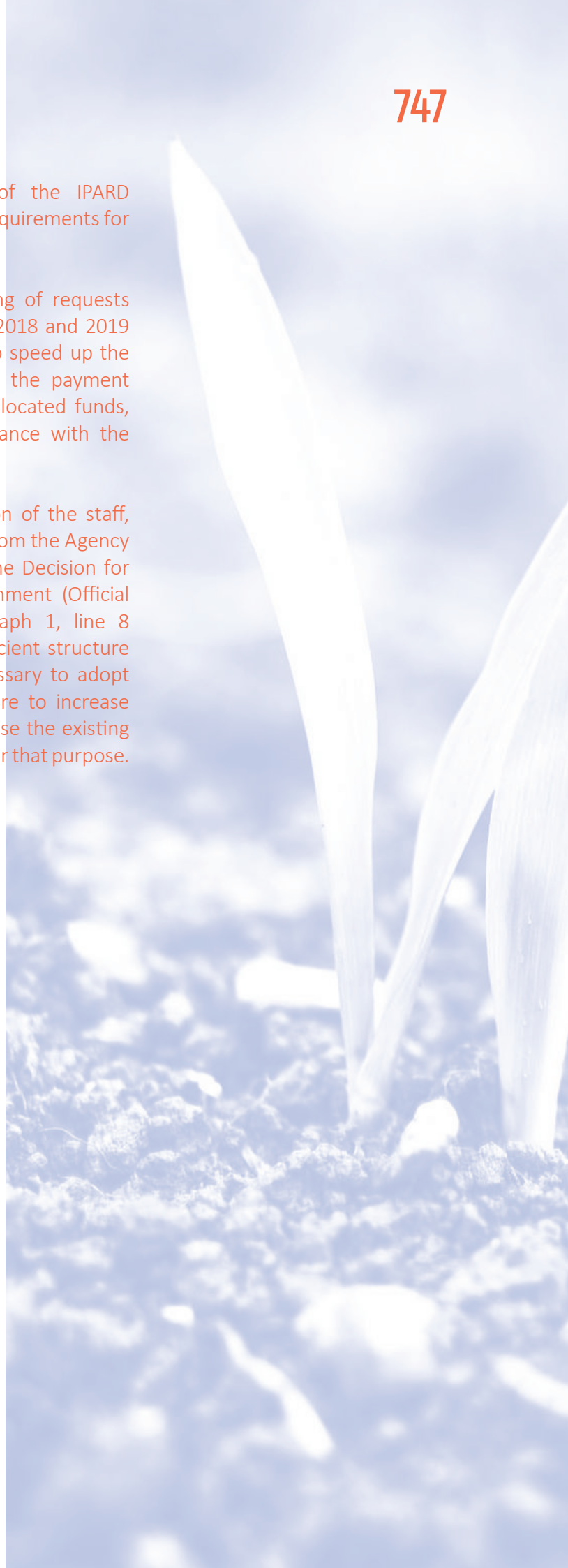
Regardless of the COVID-19 pandemic situation, the IPARD Programme Monitoring Committee will continue to meet at least twice a year.

In anticipation of the new programming period, the IPARD Management Body is activating all existing capacities for the preparation of the IPARD Programme 2021-2027. In that regard, meetings were held with sub-sectoral working groups and other

stakeholders affected by the implementation of the IPARD Programme, in order to summarize the needs and requirements for the new programming period.

In 2020, AFSARD will continue with the processing of requests received within the public calls announced during 2018 and 2019 for IPARD 2014-2020 and to conclude contracts. To speed up the processing of the financial support requests and the payment requests, and to increase the absorption of the allocated funds, AFSARD will hire additional 20 people, in accordance with the workload analysis for 2019.

In terms of the Policy for retention and motivation of the staff, because of the outflow of trained and quality staff from the Agency and in order to achieve the priority objective of the Decision for determining the strategic priorities of the Government (Official Gazette No. 243/20) stated in Article 2, Paragraph 1, line 8 (maintenance of a professional, motivated and efficient structure for implementation of European funds), it is necessary to adopt measures at the level of the entire IPARD structure to increase the salaries of the employees of the Agency or to use the existing mechanisms in the Law on Administrative Servants for that purpose.



## Medium-term priorities

The procedure for monitoring the effects of the implemented policies will be developed into a priority medium-term activity, through the Programme for financial support of rural development. In order to enable traceability of the effects of the policy, it is necessary to define measurable indicators in the programming phase, the connection of the systems of the Ministry with the rural development systems through which the effect of the implemented policies towards the development of agriculture and rural areas will be monitored.

Given that a new project for Agricultural Advisory System is in the preliminary phase, the Law on Agricultural Advisory System will be adopted in 2023.

It is planned to regulate the legal framework for the introduction of a measure to support advisory services in the annual rural development programme, as well as to prescribe procedures for implementing the measure.

Accreditation is the medium-term priority of the IPARD Management Body- transfer of the right to manage the assets from measure 6 (Investments in rural public infrastructure), as well as expansion of the IPARD Programme 2021-2027 with new measures, agro-environmental - climate measures and organic production, support of advisory services and implementation of strategies for local economic development - LEADER approach.

In the medium term, it is planned to adapt the campaign for communication and publicity to the new programming period and to strengthen it, especially in order to promote the new measures in the Programme. Accordingly, the efforts will be directed towards full utilisation of the planned funds from the IPARD Programme 2021-2027.

# ORGANIC FARMING

## Current situation

Organic production is regulated by the Law on Organic Agricultural Production (Official Gazette No. 146/09, 53/11, 149/15, 39/16 and 132/16).

The implementation of the National Plan for organic farming production for the period 2013-2020 is in progress.

According to the National Programme for Agriculture and Rural Development 2018 - 2022, the financial support of the organic production continued in 2020. The support for the organic production in 2019 was 30% higher than the amount of direct payments for conventional production for fodder crops, 50% for crops, livestock and beekeeping, 70% for orchard and viticulture and 100% for horticultural production, as well as covering 50% of the costs for certification of organic production.

In order to integrate the rules and procedures provided for in the Commission Regulation 834/2007, 889/2008 and 1235/2008 for import of organic products from third countries in the national legal framework, a "Rulebook on the form, content and format of the certificate of conformity for production of organic products with the importing country, as well as the manner of the issuance and the documentation accompanying the consignment of products of organic origin" (Official Gazette No. 38/19) was adopted, including "Rulebook on the form, content and format of the certificates confirming that the product, the production process, the preparation or placing on the market is in compliance with the rules and procedures established by this Law, as well as on records kept by entities" (Official Gazette No. 38/19), "Rulebook on the form and content of the request, the necessary documentation for fulfilment of the conditions, the content and the manner of keeping records of control/ certification bodies for performing expert control in the organic farming production" (Official Gazette No. 33/19) and "Rulebook on breeding of aquatic animals, the manner of nutrition, the manner of prevention of diseases and veterinary treatment in aquatic animals and the means for cleaning and disinfection that are additionally used in the breeding of aquatic animals" (Official Gazette No. 188/20).

## Short-term priorities

The Programmes for financial support in agriculture and rural development for 2021 envisage measures for encouragement and development of organic agricultural production.

Staff trainings at the institutional level are planned in the Unit for Organic Farming Production. In addition to the contribution to further harmonisation of the Law and bylaws in the field of organic production, the stakeholders in the organic production in the country will be also institutionally strengthened.

## Medium-term priorities

The plan is to prepare a new Law on Organic Production in 2022, as well as the preparation and implementation of measures to encourage and develop organic agriculture for 2022 and 2023.

Additional strengthening of the Unit for Organic Farming Production and the State Inspectorate for Agriculture is envisaged, as well as trainings for the new employees and additional training of the existing employees.

# QUALITY POLICY

## Current situation

The Law on Quality of Agricultural Products regulates the protection of geographical and traditional names for agricultural and food products (Protected Designation of Origin - PDO, Protected Geographical Indication – PGI and Geographical Traditional Speciality - GTS) and is harmonised with the EU Regulation 32012R1151.

The protection of wine with geographical character is regulated by the Law on Wine and there are three types of protection: table wines with protected geographical indication, wines of controlled origin and wines of controlled and guaranteed origin.

Quality protection of spirits and agricultural products that are not used as food is regulated by the Law on Industrial Property and there are two types of protection: Protected designation of origin and Protected geographical indication.

Competent bodies for implementation of the quality schemes are the Ministry of Agriculture, Forestry and Water Economy - Sector for Marketing and Quality of Agricultural Products – Unit for Quality Standards which is responsible for the protection of agri-food products in accordance with the Law on Quality of Agricultural Products; Sector for Viticulture, Winemaking and Fruit Growing, responsible for the protection of geographical origin of wine in accordance with the Law on Wine; the State Office for Industrial Property which is responsible for protection under the Law on Industrial Property; the State Agricultural Inspectorate and the Food and Veterinary Agency are responsible for official controls of the quality schemes.

In February 2019, with the support of the Ministry of Agriculture, Forestry and Water Economy, the Slow Food Macedonia NGO published a list of 150 Macedonian products that have the potential to trademark their name. In order to encourage the producers and processors to implement quality protection of their products and thus prevent abuse, imitation and false declaration, measures are provided for financial support in the annual programme for financial support of rural development. These measures cover 80% of the costs incurred for the introduction of a quality mark, for preparation of the product report, analysis, control costs and verification of the conformity of the report with the product. For 2020, funds were provided for this measure for at least five new



elaborations for the trademark of agricultural and food products with a designation of origin, a geographical designation and a designation for a guaranteed traditional speciality. The measure was implemented for the first time in July 2020. Six associations showed interest, but only one of the requests was complete, the trademark request for Sweet made from wild figs. An agreement has already been concluded for the financing of the trademark-related activities.

## Short-term priorities

Continuation of the measure to finance the activities required for the introduction of a quality trademark.

## Medium-term priorities

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During 2022 and 2023, it is planned to re-implement a campaign for education of groups of producers who are interested in submitting a request for trademark of agricultural products with a protected designation of origin, geographical designation and guaranteed traditional speciality.

# FOOD SAFETY, VETERINARY AND PHYTOSANITARY POLICY

## Findings and recommendations from the EC Report 2020

The country has a **good level of preparation** in the area of food safety and veterinary policy. **Good progress** was made, particularly on improving the control of animal diseases of harmful organisms in the country.

However, as not all 2019 recommendations were implemented, in the coming year the country should in particular:

- ▶ further align the legislation on official control with the EU *acquis*;
- ▶ strengthen capacities for data analysis on food safety;
- ▶ adopt and implement legislation on plant protection control.

## SUMMARY

In the area of food safety, veterinary and phytosanitary policy, the priorities for the next period are the following:

- new framework legislation will be adopted as well as bylaws that will result from it, harmonised with the EU Law on Animal Health, Regulation (EU) 2016/429 as well as the Regulation on official controls 2017/625, along with their delegating and implementing acts;
- the implementation of the activities identified by the project under the IPA/TAIB National Programme - 2019 will continue, in order to improve the institutional capacities of the institutions responsible for Chapter 12;
- regarding the establishment of the system for animal by-products, the preparatory activities for construction of incinerator will be continued within IPA2/IPA 2019 and with additional financial support from the World Bank;
- the implementation of measures for control of animal diseases will continue in order to improve the health status of animals on the territory of the Republic of North Macedonia, as well as the declaration of the free and *officially free from certain animal diseases* status;
- the improvement of the farm biosecurity measures will continue, with a special focus on protection from, and prevention of, African swine fever; and
- regarding the status of harmful organisms, the Phytosanitary Administration will continue to update the already established system with data on the presence/absence of harmful organisms in the country (according to ISPM No.8). The Law on Phytopharmacy is in the parliamentary procedure, harmonised with the new EU legislation.

# GENERAL PRINCIPLES

## Current situation

The Food and Veterinary Agency (FVA) is one of the institutions in the country that continues to intensively improve its capacity in terms of human, technical and material resources. Proof of this is the high ratings from the users of the services and the increase of the salaries of the inspectors by 30% (10% starting from 2020 and until 2022). This provides conditions for better and more efficient execution of the inspection supervision. The Food and Veterinary Agency received a positive recommendation after the first supervisory inspection of the recertified Quality System in accordance with the requirements of the ISO 9001 2015 standard. The project for service agreement: "Improving the implementation of legislation on animal health, food safety and phytosanitary policy and related IT systems" is in its second year of implementation, and is scheduled to be completed in May 2021.

The implementation of the new Agreement for services concluded with the European Food Safety Agency EFSA (EPSA IPA II Programme (NP/EFSA/ENCO/2019/01 CT 05)) started in the second half of 2020. EFSA published the technical report for the Republic of North Macedonia within the EFSA SIGMA project. (<https://efsa.onlinelibrary.wiley.com/doi/abs/10.2903/sp.efsa.2020.EN-1833>).

The chemical contaminants (VMPs, pesticide residues and chemical contaminants) are collected, processed and reported by the end of August 2020. Additionally, several other activities related to deeper cooperation with EFSA have been completed.

In terms of risk assessment and risk communication, the following activities have been completed: a scientific document has been prepared regarding the risk assessment of glycoalkaloids in potatoes, tomatoes and eggplants (text processed by EFSA, scientific opinion on this issue); a document on the relationship between COVID-19 and food has been prepared<sup>120</sup>. Three publications have been prepared on the health benefits of various foods in the field of nutrition (health benefits of drinking water and fruits, health benefits of vegetables and health benefits of cereals, nuts, seeds and edible oils). Experts from all 10 scientific panels of the National Platform were also selected in accordance with the previously announced criteria. The FVA, in cooperation with the Institute of Public Health, implements the project "Support for national nutrition research in accordance with the EU Menu methodology (sixth support) - Research in children".

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<sup>120</sup> This original scientific paper was prepared by the International Commission on Microbiological Food Specifications

In 2020, the FVA signed a Cooperation Agreement in the field of veterinary policy and food safety with the competent authority in the Slovak Republic.

## Short-term priorities

The Strategic Framework and Action Plan for food safety in the Republic of North Macedonia for the period 2021-2025 will be adopted, in accordance with the latest EU trends and in compliance with the standards of the European Union.

During 2021, the processing of the collected data will continue, that is, data cleaning, coding and their forwarding to EFSA (2020-2021) within the project for Support for national nutrition research in accordance with the EU Menu methodology (sixth support).

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## Medium-term priorities

The amendments to European food safety legislation will be continuously monitored by the FVA and consequently transposed into the national legislation. The activities for accreditation of the inspection services of the FVA continue, in accordance with the European standard - MKS EN ISO/IEC 17020:2012.

# VETERINARY POLICY

## Current situation

Bylaws have been adopted which achieved harmonisation with the more recent EU legislation in the following areas: animal health control measures relating to lumpy skin disease (32019D0081 and 32019D1992); intra-Union trade in live animals - conditions and official controls (32015D0819 and 32016D2002); veterinary health conditions and control of import and transit of live animals, products of animal origin and aquaculture (32020R0352 and 32020R1166); and in the field of zoonoses, official controls of other salmonella and other particular alimentary intoxications (32019R0268).

Measures for control of animal diseases and solutions - bans on import and transit have been adopted, in order to protect human and animal health, harmonised with the notifications of the ADNS system of the EU as well as the international system (notifications of OIE), regarding high pathogenic Avian influenza, African swine fever, Newcastle disease, West Nile fever.

As a novelty in the field of animal health, several visits to animal farms were completed in the second half of 2020, as part of the Classical Swine Fever and African Swine Fever Monitoring Programme, which aims at early detection of these diseases. The data from the performed visits are entered in the FVA database. As part of active surveillance for classical swine fever, antibody testing continues. According to the confirmed results, all positive cases are eliminated.

In order to raise awareness about African swine fever, educational and advertising materials for the domestic public, as well as international carriers of pigs and pig products have been prepared on the FVA website. Veterinary societies are responsible for small-scale farm visits, education of farmers in order to raise awareness of the importance of measures to protect and prevent African swine fever and passive surveillance of wild boar. Video and audio materials have been prepared by dubbing and adapting the available video materials provided by OIE and EFSA.

The FVA started conducting surveillance and identification of vectors - carriers and transmitters of the causative agent of communicable diseases in animals of the genus *Culicoides* in the Republic of North Macedonia. The purpose of determining the potential risk of transmission of pathogenic microorganisms through vectors is to assess the risk of possible occurrence. The samples are examined by the Faculty of Veterinary Medicine, which prepared an interactive map with geolocation of the set baits.

An animal welfare awareness campaign has been launched. The segment for the welfare of horses intended for work began with implementation on 24 September 2020. The procedure for approval of short-haul carriers is being implemented. A total of two carriers have been approved, and in the meantime, the procedure for the 20 submitted requests for approval is underway. It is also planned to prepare brochures for breeders of laying hen, as well as to organise meetings with the Agency for Financial Support in Agriculture and Rural Development and with the larger breeders of laying hen, to consider the possibility of financing the rejection of basic cage systems and their replacement with improved or alternative systems.

For the purposes of implementation of the EU Regulation on official controls and Regulation 2017/625, and in order to integrate the existing/traditional TRACES system with the integrated system provided by the above Regulation on official controls, IMSOC, the traditional TRACES platform was migrated to the platform with new technology - TRACES-NT. The TRACES-NT platform is applicable since 14 January 2020, in accordance with the requirements of EU Regulation 2017/625. The FVA requested support from the European Commission for IT upgrade in order for the country to be a user of the new IMSOC system. The request is accepted, the procedure is ongoing. The upgrade of the General Information System for Border Inspection (NFAP) has been put into operation since 1 January 2020. In the next period, NFAP is expected to be connected to the EXIM system.

The FVA adopted the Annual Plan for monitoring of import of shipments of food of animal origin for 2020, based on a risk assessment methodology with an analysis made on the data collected from 2019.

The number of accredited laboratory methods at the Faculty of Veterinary Medicine has increased. For more details: [http://www.iam.gov.mk/index.php?option=com\\_content&view=article&id=161%3Alt-001&catid=69%3Aaccr-lab-test-cat&Itemid=119&lang=mk](http://www.iam.gov.mk/index.php?option=com_content&view=article&id=161%3Alt-001&catid=69%3Aaccr-lab-test-cat&Itemid=119&lang=mk).



## Short-term priorities

### Legal framework

The procedure for adoption of the Law on Animal Health is in progress, with which harmonisation with Regulation 32016R0429 will be achieved. Following the adoption of the Law on Animal Health, it is planned to amend or adopt new bylaws regarding measures for the protection of animal health and disease prevention, health requirements for import and transit of animals, as well as internal trade with live animals and products of animal origin, in order to comply with the new EU legislation, as well as other areas of veterinary policy (for more details, please refer to Annex - Matrix of objectives and activities for 2021-2023-2025)<sup>121</sup>.

A new Programme regarding monitoring and reporting on antimicrobial resistance in zoonotic agents for the period 2021-2023 will be adopted, in line with the newly adopted EU legislation, Decision 2020/1729.

### Institutional framework

In order to meet one of the strategic objectives of FVA – gaining the status of a country that is "officially free of classical swine fever" and export of pork to EU markets, the prepared Action Plan (already submitted to the EC) for taking action after vaccination against classical swine fever will be followed by an additional document - Country profile CSF which will be sent to the OIE. Clinical monitoring of the disease and sampling of animals (domestic pigs and wild boar) will also be performed.

Improvements in the farm biosafety measures will continue, with a special focus on protection and prevention measures for African swine fever.

In terms of identification and registration (IRI) of animals and their movements, the next stage for full implementation of the IRI system on ungulates is to put into production the ungulates registration module.

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<sup>121</sup> In most part it is about supplementing of the existing activities with the new EU measures announced during 2020

## Medium-term priorities

### Legal framework

The FVA will harmonise the national legislation with the amendments to the European legislation regulating the areas covered by the veterinary policy.



# PLACING OF FOOD, FEED AND ANIMAL BY-PRODUCTS ON THE MARKET

## Current situation

According to the Law on Food Safety (Official Gazette No. 157/10, 53/11, 01/12, 164/13, 187/13, 43/14, 72/15, 129/15, 213/15, 39/16 and 64/19) additional bylaws have been adopted which were further harmonised with the EU legislation in several areas, as follows: sampling and analysis regarding the presence of erucic acid in food (compliance achieved with 32015R0705), exceptions to the general requirements for animal health in the processing of products of animal origin (compliance achieved with 32013D0417), sampling and analytical methods for control of dioxin levels (compliance achieved with 32017R0644), microbiological criteria for food (compliance achieved with 32019R0229), general requirements for primary production and associated operations as well as general requirements for food (compliance achieved with 32014R0579, 32016R0238 and 32019R0978) and sampling of feed (compliance with 32013R0051).

The FVA register of primary producers is regularly updated.

To ensure the promotion of the quality of raw milk and compliance with the relevant legislation of the European Union regarding the criteria on the number of microorganisms and somatic cells, that is, hygiene and health requirements, the FVA continues to implement the Action Plan adopted by the Government for categorisation of dairy farms based on risk, in order to improve the quality of raw milk. The categorisation continues to be performed for the newly registered farms.

## Short-term priorities

### Legal framework

Regarding the text that was prepared in the course of the last year, it is planned to adopt a Law on Animal By-Products and bylaws in the same area, which will achieve harmonisation with the new EU legislation (32019R1084, 32019R1177 and 32018R0969). In the area of food safety, several bylaws will be adopted as well for monitoring of food residues as well as official food controls, thus achieving

harmonisation with the new EU legislation that was adopted in 2020 (for more details, please refer to Matrix of objectives and activities 2021-2023 - Chapter 3.12. Food safety, veterinary and phytosanitary policy)<sup>122</sup>.

The monitoring plan for *Salmonella enteritidis* and *Salmonella typhimurium* is implemented only in laying hens (*Gallus Gallus*). In the coming period, it is planned to expand to flocks of broilers and herds of pigs.

## Institutional framework

Within the framework of the procedure for improvement of the facilities and harmonisation of the operation in accordance with the regulations for food safety and veterinary health and the relevant regulations of the European Union, in the coming period, the FVA will continue with the planned activities - control of the remaining operators of food of animal origin.

The Law on Animal By-Products, which is currently being adopted, regulates the procedure for the collection, transport, use and disposal of products of animal origin, in order for these activities to be considered as activities of public interest. The establishment of a public enterprise by the Government responsible for collection, storage, processing, use and safe disposal of animal by-products throughout the country is now made possible with the provisions of the Law. This approach will enable the putting into operation of the entire system for the management of animal by-products.

## Medium-term priorities

The FVA will continue to harmonise the legislation in the area of food safety rules, taking into account the amendments to the relevant EU legislation.

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<sup>122</sup> In the most part, it is about supplementing the existing activities with the new EU measures announced during 2020

# FOOD SAFETY RULES

## Current situation

Pursuant to the Law on Food Safety, bylaws were adopted which achieved further harmonisation with the latest changes in the EU legislation regarding food produced using innovative technologies (compliance with 32015R2283) and food-related information (compliance with 32018R0775).

In order to provide information to consumers, the Health Claims Register is regularly updated and available on the website of the Food and Veterinary Agency ([www.fva.gov.mk](http://www.fva.gov.mk)).

## Short-term priorities

The adoption of the Law amending the Law on Food Safety is expected, which achieves harmonisation with the EU policies, with part of the provisions of the Regulation on official controls, 32017R0625. According to the experience so far, the amendments to the Law enable simplification of the approval procedures, as well as the notification procedures of the existing Law on Food Safety regarding nutrition and health claims, requirements for enriched food and food supplements, requirements for products and materials that come into contact with food, additives, enzymes, flavours, food and food ingredients produced using innovative technologies, etc. to facilitate their trade. At the same time, by this way of a notification, the focus of the official controls of such products is now shifted out to the field, which will provide an appropriate insight into the manner and degree of practical implementation of the legal provisions.

It is planned to adopt bylaws harmonised with the most recent changes in the European legislation regarding the special requirements for certain types of food (including food produced using innovative technologies) as well as the purity of the additives (for more details please refer to Annex - Matrix of objectives and activities for 2021-2023-2025)<sup>123</sup>.

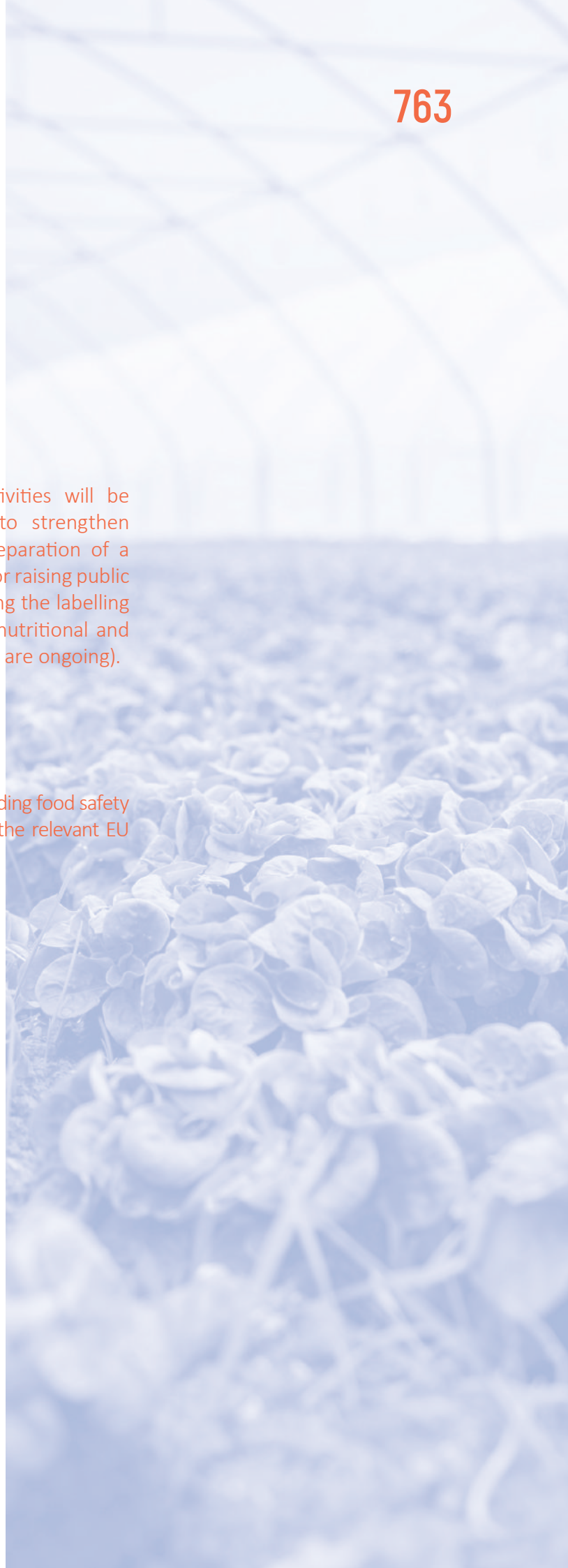
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<sup>123</sup> The FVA will continue to harmonise the legislation regarding food safety rules, always taking into account the amendments to the relevant EU legislation.

With the support of the IPA 2015 project, activities will be implemented in various components in order to strengthen the capacities in the field of food safety and preparation of a Communication Strategy and Communication Plan for raising public awareness (consumers and food operators) regarding the labelling of food, with special reference to information on nutritional and health claims as well as food quality (these activities are ongoing).

## Medium-term priorities

The FVA will continue to harmonise the legislation regarding food safety rules, always taking into account the amendments to the relevant EU legislation.



# SPECIAL RULES FOR FEED

## Current situation

The Monitoring programme for feed safety for 2020 has been adopted.

Pursuant to the Law on Feed Safety (Official Gazette No. 145/10, 53/11, 1/12, 33/15, 149/2015 and 53/2016), bylaws have been adopted and harmonisation with the newly adopted legislation of the EU in terms of conditions for placing on the market of raw materials for feed and undesirable substances in feed, thus achieving compliance with Regulation 32019R1869.

The register of additives is updated on regular basis and published on the website of the Food and Veterinary Agency.

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## Short-term priorities

The plan is to adopt a new Law on Feed Safety, which will further specify certain issues and will enable more successful implementation of the safety.

## Medium-term priorities

After the adoption of the new Law on Feed Safety, several rulebooks will be adopted, which will specify certain areas of the Law.



# PHYTOSANITARY POLICY

## Current situation

During 2020, the Phytosanitary Administration (FSAD) implemented activities that arise from the legislation in the field of health of plants:

- Guidelines for taking measures to deal with harmful organisms have been prepared and adopted: *Diabrotica virgifera virgifera* and *Ceratitis capitata*;
- The Monitoring programme for 2020 has been implemented;
- The Monitoring programme for 2021 based on risk analysis was developed, intended for monitoring the health status of crops in the Republic of North Macedonia and within it, the number of priority quarantine harmful organisms by type and by the number of visual and laboratory analyses has been expanded;
- The system for plant passports in the Republic of North Macedonia is continuously implemented;
- The activities related to derogation for export of seed and mercantile potatoes from the Republic of North Macedonia to the EU have been finalised;
- The Agreement for cooperation in the phytosanitary area with the Republic of Albania was signed and the text of the Agreement with Ukraine was finalised;
- Proposed Lists of harmful organisms, plants and plant products and other objects and facilities have been prepared in accordance with the new legislation package of EU on plant health, and they are in the process of approval;
- The phytosanitary information system is operational and what follows now is training on its use;
- The State Inspectorate for Agriculture - DIZ has prepared standard operating procedures for the work of the border phytosanitary inspectors based on a risk analysis of shipments imported into the Republic of North Macedonia. The Seed and Planting Material Administration (USSM) continues with the realisation of its regular activities arising from the legislation in the field of seed and planting material for agricultural plants, as follows: registration of suppliers of seed and planting material

for production, preparation for trade, import - export and trade of seeds and planting material; organises the production of certified seed material from cereals, fodder, horticulture, oilseeds, fibre, beets, potatoes and tobacco and certified planting material from ornamental plants, fruit plants and vines; issues a Certificate for a finally certified seed with official labels and a Certificate for finally certified planting material with official labels for propagating material and planting material; organises post-control of experimental fields of domestically produced seed batches and imported seed batches for further propagation in our country;

- The import of foreign varieties of agricultural plants registered in the European Common Catalogue of Varieties in accordance with the European legislation is allowed;
- Registration of varieties and indigenous varieties of agricultural plants in the National Variety List and their publication in the Official Gazette of the Republic of North Macedonia;
- Agreements were concluded with authorised legal entities for performing expert control of the production of seed crops and plantations, post-control and examination of varieties of agricultural plants, as well as agreements with authorised laboratories for examination of quality properties of the seed material;
- Procedure was conducted for granting of breeder right to a breeder of varieties of agricultural plants by issuing a decision for granting a breeder right for an agricultural variety - pear.

During 2020, the Phytosanitary Administration continued with the preparation and adoption of bylaws, which transpose the relevant EU Directives and international phytosanitary standards, and developed the "Guidelines for taking measures to prevent the occurrence and spread of the harmful organism *Diabrotica virgifera virgifera* Le Conte and measures for its suppression" and "Proposed lists of harmful organisms, plants, plant products and other objects and items", in accordance with EU regulations 2072/2019 and 2031/2016.

The following documents were additionally prepared:

- Risk analysis and determination of preventive measures against the spread of the harmful organism *Aromia bungii* and *Potato Spindle Tuber viroid*; and
- Plan for taking emergency measures in case of

occurrence and spread of the harmful organism  
*Xylella fastidiosa* and *Ralstonia solanacearum*.

In the field of plant protection products (PPC), the Law on Phytomedicine was adopted on 26 December 2020.

## Short-term priorities

### Legal framework

In terms of the adoption of phytosanitary legislation that is harmonised with the relevant EU directives, it is planned for 2021 to adopt a draft Law on Plant Health and its bylaws.

In 2021, it is planned to start drafting the Law on Plant Nutrition. Additionally, following the adoption of the Law on Phytomedicine, bylaws will be adopted regarding the training of professional users, distributors and advisors, as well as certification of the equipment for application of plant protection products and integrated plant protection.

Activities have been undertaken to prepare amendments to the Law on Reproductive Material of Forest Tree Species (Official Gazette No. 55/07, 148/11 and 39/16) to achieve full compliance with Directive 1999/105/EC on the marketing of forest reproductive material and Regulation 1598/2002/EC laying down detailed rules on the mutual administrative assistance by official bodies.

In the next period, it is planned to expand the Phytosanitary Information System - FIS for official controls.

### Institutional framework

In 2020, the implementation of the IPA project 2015 "Improvement of the implementation of the legislation on animal health, food safety and phytosanitary legislation and the relevant information systems" continued, within which FIS is developed and technical assistance in the field of phytosanitary policy is realised. The project will last until July 2021. Establishment of an integrated phytosanitary system, that is, integration of the activities of all competent bodies in one system with clearly defined obligations and tasks, coordination, division and delegation of tasks between the competent services in accordance with the existing legal acts aimed at improving communication and coordination of the competent services in the phytosanitary system.

In the next period, it is planned to further strengthen the capacities of the Phytosanitary Administration, SIA and the State Phytosanitary Laboratory, with the realisation of the trainings planned within the current projects, maintenance of the existing ones and accreditation of new methods.

## Medium-term priorities

### Legal framework

Further preparation of the bylaws arising from the Law on Plant Health, in compliance with the Plant Health Regulation 2016/2031 EEC and the implementing legislation, Regulation 2019/2072, as well as the Regulation on official controls 625 of 2017 will continue.

With the adoption of the new Law on Phytopharmacy, the bylaws in relation to it will be prepared and adopted, and will be harmonised with the EU legislation.

Based on the Law amending the Law on Reproductive Material of Forest Tree Species, it is planned to adopt, in stages, several bylaws in order to fully comply with the relevant EU legislation.

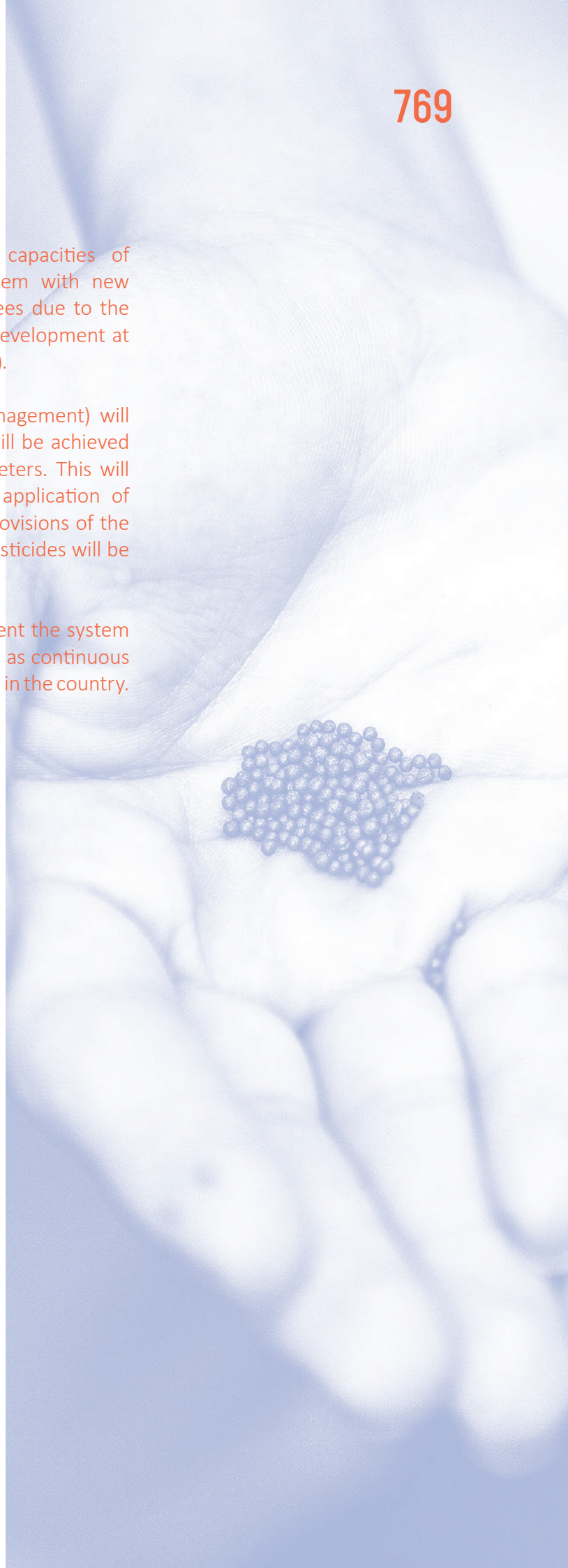
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## Institutional framework

It is planned to continuously strengthen the capacities of the competent bodies of the phytosanitary system with new employments and regular trainings of the employees due to the need to upgrade the knowledge and professional development at international trainings (GD SANCO, TAIEX, EFSA, etc.).

Further development of IPM (integrated pest management) will be carried out, which is a significant activity that will be achieved with monitoring and forecasting of climate parameters. This will determine the recommendation for the optimal application of pesticides in certain crops. Thus, in practice, the provisions of the EU Directive 128/2009 EEC on sustainable use of pesticides will be implemented.

At the same time, it is planned to regularly implement the system for plant passports, regularly update the FIS, as well as continuous processing of data on the status of harmful organisms in the country.



# FISHERIES

## Findings and recommendations from the EC 2020 Report

The country is **moderately prepared** in the area of fisheries. **Limited progress** was made in the sector with the implementation of structural actions to support investment in fisheries. The fight against illegal, unreported and unregulated fishing continued. In the coming year, the country should in particular:

- ▶ step up its efforts to further align and implement the relevant fisheries acquis;
  - ▶ improve the data collection system and reporting;
  - ▶ set-up multiannual support programmes for structural measures.
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# SUMMARY

The activities in the next period are aimed at the permanent use of fish through sustainable development, including the uninterrupted placement of fish and fish products on the market. It is planned to complete the ongoing procedures for granting concessions for commercial fishing and organising recreational fishing for the next period of six years and monitor the implementation of the current concessions, as well as monitoring the current production in aquaculture through an increased number of inspections. The monitoring of the status and activities of the fish health protection, the supervision and control of the health care, the primary production and marketing of the fish products, the safety of the fish products that are placed on the market and the control of the import will continue.

Alignment in the area of market policy and state aid will be intensified. The structural activities in the field of fisheries and aquaculture will be realised with the measures planned in the annual programmes.

According to European regulations, the fisheries area can be divided into parts, as follows:

- Resource and fleet management;
- Inspection and control;
- Market policy;
- Aquaculture - including organic production and use of alien and locally absent species
- Structural measures;
- State aid; and
- International agreements.

Given that the Republic of North Macedonia is a landlocked country and has no marine fishing activities, many of the European regulations are not relevant and do not require their implementation in the national legislation. However, as a country aspiring to join the European Union, it is necessary to comply with European requirements in the field of fisheries.

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## Current situation

### Legal framework

The fisheries, as a field, is not only regulated by the Law on Fisheries and Aquaculture (Official Gazette No.7/08 and 67/10, 47/11, 53/11, 95/12, 164/13, 116/14, 154/15, 193/15, 39/16 and 83/18) and the bylaws arising from it, but is also regulated by other laws and their respective bylaws which will be presented in parts, as follows:

### Resource and fleet management

In this part, the legal framework is regulated by the Law on State Statistics (Official Gazette No. 54/97, 21/07, 51/11, 104/13, 42/14, 192/15, 27/16, 83/18, 220/18 and 31/20) and with the Statistical Research Programme for the period 2018- 2022 (Official Gazette No. 22/18, 224/18, 18/20).

The State Statistical Office is responsible for data collection. For that purpose, the State Statistical Office and the Ministry of Agriculture, Forestry and Water Economy prepared a data collection form during 2020 in accordance with Regulation 762/2008, and from 2021 collection of data will start using this form and shall be submitted to EUROSTAT.

In 2020, within the GIZ project, a draft Plan for eel management in the catchment area of the Drim River was prepared. The draft plan is based on the European experience of German experts and is a result of the international cooperation with the Republic of Albania and the Republic of Montenegro in accordance with Regulation 1100/2007.

Many of the EU regulations in this field are inapplicable as they relate to the establishment of fishing registers, fleets and catch quotas, as well as technical measures. However, this part also includes the regulations that refer to data collection, as well as the regulation on the European eel.

## Aquaculture (including organic production and use of alien and locally absent species)

The field of aquaculture is regulated by the Law on Fisheries and Aquaculture and its bylaws.

According to the Law, a Programme for the promotion of fisheries and aquaculture for the period 2013-2024 has been adopted (Official Gazette No. 46/2012) which is a multi-year national strategic plan for fisheries and aquaculture.

Organic aquaculture is regulated by the Law on Organic Production and the respective bylaws: Rulebook on the manner and procedure for performing expert control in organic farming production, Rulebook on the form and content of the certificate, the manner of its issuance, as well as the procedure for collection, packaging, transport and storage of organic products and Rulebook on aquatic animal breeding, animal nutrition, disease prevention and veterinary treatment of aquatic animals and cleaning means and disinfectants that are additionally used in aquatic animal breeding.

The use of alien and locally absent species is regulated by the Law on Fisheries and Aquaculture (Official Gazette No. 7/08 and 67/10, 47/11, 53/11, 95/12, 164/13, 116/14, 154/15, 193/15, 39/16 and 83/18) and the Law on Nature Protection (Official Gazette No. 67/04, 14/06, 84/07, 35/10, 47/11, 148/11, 59/12 and 13/13).

## Inspection and control

The inspection and control are regulated by the Law on the State Inspectorate for Agriculture (Official Gazette No.20/09, 53/11, 164/13, 43/14, 33/15, 88/15, 149/15, 39/16, 172/16, 83/18), as substantive law, and the regulations adopted on the basis of this Law.

The State Inspectorate for Agriculture, in conducting misdemeanour and criminal proceedings for violations in the field of fisheries and aquaculture, applies not only the substantive law but also the legal framework through the Law on Inspection Supervision (Official Gazette No. 50/10, 162/10, 157/11, 147/13, 41/14, 33/15, 193/15, 53/16, 11/18, 83/18, 120/18 and 102/19). In addition to these, the Law on Food Safety is also applied (Official Gazette No. 157/10, 53/11, 1/12, 164/13, 187/13, 43/14, 72/15, 84/15, 123/15 and 129/15), including the respective bylaws:

- Rulebook on quality, size and weight, as well as the manner of declaring the fish that is intended for placing on the market (Official Gazette No.57/13);

- Rulebook on the form and content of the document on the origin of fish and the manner of its issuance and filling in (Official Gazette No. 117/10);
- Rulebook on the form and content of the document on the origin of the stocking material and the manner of its issuance and filling in (Official Gazette No. 117/10);
- Rulebook on food-related information (Official Gazette No. 150/15 and Official Gazette No. 241/20); and
- Rulebook on the quality of fish, crabs, mussels, sea urchins, frogs, turtles, snails and their products (Official Gazette No. 65/79).

## Market policy

The market policy is arranged by the following acts:

- Law on Fisheries and Aquaculture (Official Gazettes No. 7/08 and 67/10, 47/11, 53/11, 95/12, 164/13, 116/14, 154/15, 193/15, 39/16 and 83/18);
- Law on Food Safety (Official Gazette No. 157/10, 53/11, 1/12, 164/13, 187/13, 43/14, 72/15, 84/15, 123/15 and 129/15);
- Rulebook on the form, content and manner of keeping a Register of producer organisations, as well as the procedure for registration or deletion from the Register (Official Gazette No. 7/09 and Official Gazette No. 215/19);
- Rulebook on food-related information (Official Gazette No. 150/15 and Official Gazette No. 241/20);
- Rulebook on the quality of fish, crabs, mussels, sea urchins, frogs, turtles, snails and their products (Official Gazette No. 65/79);
- Rulebook on quality, size and weight, as well as the manner of declaring the fish that is intended for placing on the market (Official Gazette No. 57/13).

## Structural measures

The structural measures area is regulated by the Law on Fisheries and Aquaculture (Official Gazette No. 7/08 and 67/10, 47/11, 53/11, 95/12, 164/13, 116/14, 154/15, 193/15, 39/16 and 83/18) and

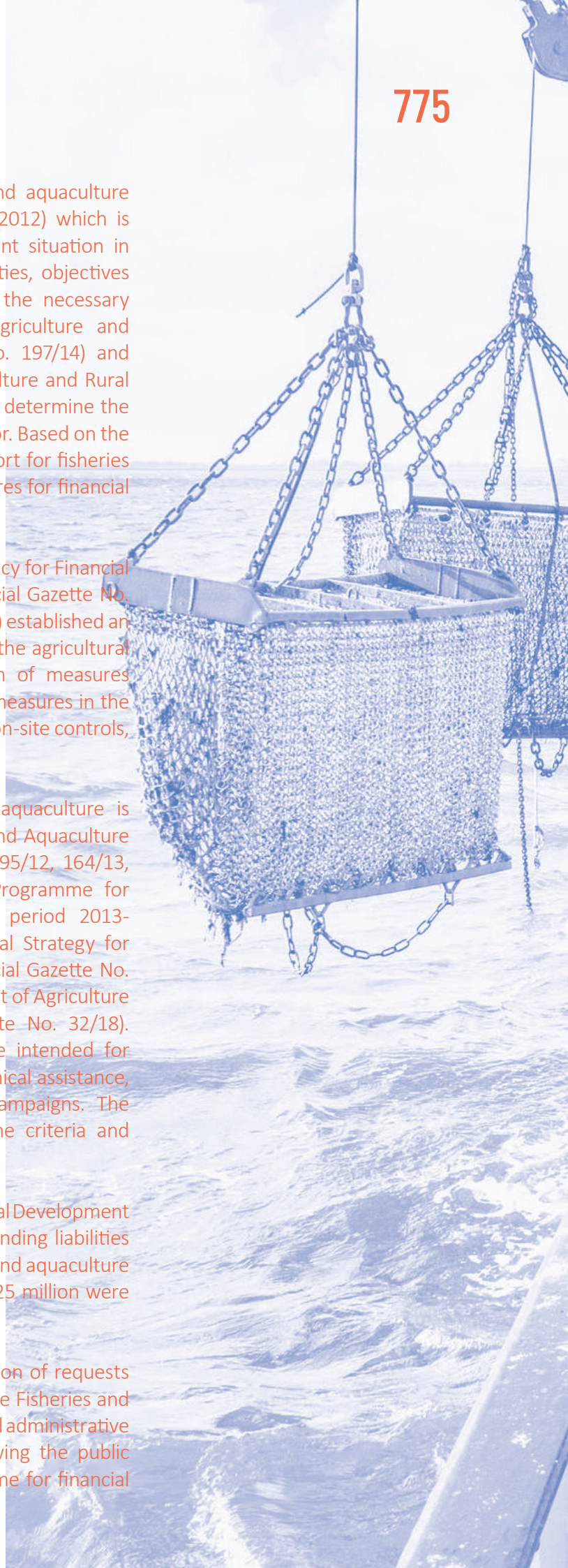
with the Programme for promotion of fisheries and aquaculture for the period 2013-2024 (Official Gazette No. 46/2012) which is an operational programme which shows the current situation in fisheries and aquaculture, as well as planned activities, objectives and measures for their implementation, including the necessary funds. Furthermore, the National Strategy for Agriculture and Rural Development 2014-2020 (Official Gazette No. 197/14) and the National Programme for Development of Agriculture and Rural Development 2018-2022 (Official Gazette No. 32/18) determine the funds that will be made available to the fisheries sector. Based on the above acts, an annual Programme for financial support for fisheries and aquaculture is prepared, which envisages measures for financial support of the sector.

In addition, the Law on the Establishment of the Agency for Financial Support of Agriculture and Rural Development (Official Gazette No. 72/07, 5/09, 43/14, 193/15, 39/16, 164/18 and 190/19) established an Agency which, in addition to the implementation of the agricultural policy and rural development and implementation of measures from the pre-accession funds, also implements the measures in the fisheries sector: announces calls, administrative and on-site controls, as well as payment of funds.

The Annual Programme for financial support in aquaculture is prepared in accordance with the Law on Fisheries and Aquaculture (Official Gazette No. 7/08 and 67/10, 47/11, 53/11, 95/12, 164/13, 116/14, 154/15, 193/15, 39/16 and 83/18), the Programme for Promotion of Fisheries and Aquaculture for the period 2013-2024 (Official Gazette No. 46/2012), as the National Strategy for Agriculture and Rural Development 2014-2020 (Official Gazette No. 197/14) and the National Programme for Development of Agriculture and Rural Development 2018-2022 (Official Gazette No. 32/18). The funds provided in the Annual Programme are intended for support in fisheries, aquaculture, pilot projects, technical assistance, development of new markets and promotional campaigns. The Annual Programmes also contains a Decree on the criteria and conditions for the use of funds.

The Agency for Financial Support in Agriculture and Rural Development in 2020 continued with the realisation of the outstanding liabilities from the Financial Support Programmes for fisheries and aquaculture from previous years. In 2020, a total of about MKD 25 million were paid as liabilities carried forward from previous years.

The Agency also announced public calls for submission of requests for use of funds/claims for payment of funds from the Fisheries and Aquaculture Programme for 2020. After the performed administrative control and review of the requests received following the public call No.1 from 22 February 2020 from the Programme for financial



support in fisheries and aquaculture for measure 2 - Financial support in aquaculture, sub-measure 2.1 - Financial support for investments in aquaculture, 12 applications were received with the total funds requested in the amount of MKD 20.479.443,00.

Regarding the public call 02 from 2020, which referred to measure 2.2 Support for stocking material, where MKD 29 million are provided, 15 requests were submitted and they are in the phase of administrative processing, which is the final phase before payment. For measure 1.6 Support for additional protection of fish, where MKD 1.5 million is provided, 2 requests were submitted.

## State aid

The state aid for fisheries is not precisely regulated and further harmonisation with the European legislation is needed.

## International treaties

The relevant international agreements in the field of fisheries will become part of the legislation on the day of the accession of the country to the European Union.



## Projects

In 2020, within the Project for conservation and sustainable use of the biodiversity of Ohrid, Prespa and Skadar Lakes (CSBL), a draft Plan for eel management in the catchment area of the river Drim was prepared. The draft Plan is based on the European experience of German experts and is a result of the international cooperation with the Republic of Albania and the Republic of Montenegro, in accordance with the European Eel Regulation EC 1100/2007.

As part of the project "Nordic Support to the Progress of North Macedonia", a workshop was held on the presentation of the European legislation in the field of fisheries. In addition, analyses of national legislation in the field of fisheries legislation were conducted, as well as GAP analysis with recommendations for further compliance with EU requirements.

In the period from 24 to 28 February 2020, a TAIEX expert mission was held for harmonisation with the European legislation, especially on market policy and data collection.

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## Institutional framework

Within the framework of MAFWE, the Unit for Fisheries and Aquaculture (Sector for Agriculture) is responsible for preparing, proposing and supervising the implementation of the provisions of the Law on Fisheries and Aquaculture, as well as for administrative and professional issues in the field of fisheries. The Unit employs two people. The Unit is continuously updating the following: the Register of Fish Breeders, the Register of Registered Reprocentres, the records of producers of fish stock material intended for trade, the records of users (concessionaires) of fish from open fishing waters, the records of fish production along with all required data for monitoring the situation in the area and records of state aid in fisheries and aquaculture.

The State Inspectorate for Agriculture is directly responsible for inspection supervision over the implementation of the provisions of the Law on Fisheries and Aquaculture, via the Sector for Inspection Supervision in the field of fisheries and aquaculture, animal husbandry, beekeeping and land policy with agricultural production. Two Units (the Unit for Inspection in the Field of Fisheries and Aquaculture, with 8 employees, and the Unit for Physical Protection of Fishing Waters, with 9 employees, are directly responsible for this issue.

The State Inspectorate conducts regular and extraordinary

inspections and controls. In terms of inspection and control, in the period from January to December 2020, acting in accordance with the Law on Fisheries and Aquaculture, a total of 785 organised and coordinated controls were implemented and prepared an equal number of minutes (inspection reports). The controls are performed on the fishing areas about the way of organising of the recreational fishing, performing of aquaculture, keeping of records, monitoring of the concession agreements and the origin of the fish. During the controls, 17 irregularities were identified and 17 decisions were made to eliminate the identified shortcomings. Twenty-eight requests for initiation of misdemeanour procedure were submitted to the competent courts for non-compliance with the adopted resolutions and for non-compliance with the provisions of the Law. During the inspections for which a procedure was initiated, the following were confiscated: 165 kilograms of various types of fish and 320 pieces of various fishing tools, objects, means and boats.

Due to the illegal fishing and fishing with illegal means during the ban, and due to an attack on an official, 16 criminal charges have been pressed in accordance with this Law.

| INSPECTION CONTROLS                                 | 2020 |
|---|------|
| Organised controls                                  | 650  |
| Issued resolutions                                  | 17   |
| Requests for initiation of misdemeanour proceedings | 28   |
| Payment orders issued                               | 55   |
| Summons issued for the collection of fines          | -    |
| Seized fishing gear                                 | 320  |
| Seized fish (kg)                                    | 165  |
| Criminal charges pressed                            | 16   |



The Inspection Sector in the Food and Veterinary Agency (FVA) is responsible for supervision and control of health care in aquaculture, the primary production of aquaculture, placing on the market of aquaculture, the safety of aquaculture products placed on the market and control of import of aquaculture.

Regular official controls of fish ponds in terms of fish health, veterinary medicines, food and feed safety and animal by-products have been carried out.

## Short-term priorities

In 2021, revision and amendment to the legislation are envisaged for further harmonisation with the European legislation. For that purpose, it is planned to adopt a new Law on Fisheries and Aquaculture by the end of 2021. In addition to the cited law, it is also necessary to amend other acts that regulate this area.

Within the UNOPS project "Nordic Support for the Progress of the Republic of North Macedonia" a workshop for preparation for the bilateral screening will be held in 2021 (preparation of material and training of representatives of the administration who will participate in the process).

The TAIEX study visit aimed at adequately changing the legislation and harmonisation with EU regulations that was planned for 2020 has been postponed due to the COVID-19 pandemic. Depending on the situation, the visit should be conducted in 2021. The activities related to the regional project "Improved data methodology for sustainable management of inland fisheries resources in the West Balkans", supported by FAO with the participation of the Republic of Albania and Montenegro, originally planned for 2020, have been postponed to 2021. An expert meeting will be held within the project, followed by the development and promotion of a guide that will contribute to the improvement and unification of the manner used for data collection and submission to relevant institutions.

In the last quarter of 2021 or the first quarter of 2022, the annual Programme for financial support in fisheries and aquaculture in 2022 will be prepared and adopted, along with measures and manner/ instructions for their implementation.

## Medium-term priorities

During this period, the annual programmes for financial support in fisheries and aquaculture in 2022 and 2023 will be developed and implemented.

After the adoption of the Law on Fisheries and Aquaculture, bylaws preparation is also planned. Given that the fisheries area is regulated by many regulations, in the coming period it will be necessary to amend the existing or adopt new acts in alignment with the European requirements in the field of fisheries.

To expand the scope of activities in the field and strengthen the administrative capacity, additional employments are foreseen in the medium term in the Unit for Fisheries and Aquaculture and the Unit for Inspection Supervision of Fisheries and Aquaculture at SIA.

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# REGIONAL POLICY AND COORDINATION OF STRUCTURAL INSTRUMENTS

## Findings and recommendations from the EC 2020 Report

The country is **moderately prepared** in the area of regional policy and coordination of structural instruments. **Some progress** was made in strengthening the national capacity for strategic planning and sector-based programming and monitoring. The established management and control systems are functional and support the implementation of the Instrument for Pre-accession (IPA). In the coming year, the country should in particular:

- ▶ upgrade the administrative and technical capacity across the IPA operating structures, adopt a retention policy and improve the dynamics in implementation of the EU-funded projects, particularly in the areas of transport and environment;
- ▶ strengthen significantly the regional development policy, improve the financial instruments put in place for its implementation and improve the administrative capacity at central and local level;
- ▶ ensure the sustainability of project results.

## SUMMARY

In order to maximize the absorption of IPA funds and ensure effective and efficient implementation of IPA-funded projects, by respecting the principles of financial management and control, the national authorities will work intensively in the coming period on staff retention policy, and on finding mechanisms to reduce the fluctuation and outflow of staff in IPA structures in order to ensure smooth operation of the system as a whole. Activities will be carried out on maintaining the lowest rate of rejection of tender documentation, with special emphasis on the sustainability of projects and improving of dynamics of the project implementation.

The amendments to the established legal and institutional framework in accordance with the European legislation will be continuously monitored in order to prepare the country for future use of the structural funds, including strengthened and established system for effective and efficient functioning of the management and control systems with IPA 1 and IPA 2. The Government will re-evaluate the existing decentralised/indirect management system and consider any necessary additional amendments that will enable more efficient use of EU funds, which will be made available to the country upon its accession.

Regarding the regional development, the activities for development of all regions in the country will be continued in the next period through the appropriate institutional and legal framework of balanced regional development. This also means continuous modification of the Law on Balanced Regional Development and the bylaws that should bring more effective solutions to further reduce the differences in the level of development between the planning regions and for efficient and accountable public administration responsible for policy implementation.

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# LEGISLATIVE FRAMEWORK

## Current situation

### Financial perspective 2014-2020

Following the implementation of the IPA I Instrument (2007-2013), the financial cooperation with the European Union continued through the implementation of the IPA II EU pre-accession assistance, 2014-2020 through a combined so-called direct and indirect management. As a basis for establishing the necessary structures and competent authorities for management with IPA assistance in decentralised management, especially in the area of regional development, the established legislative and institutional framework<sup>124</sup> is operational and in force, and is under indirect management for the Financial Perspective 2014-2020. All the activities for establishment of the system are properly completed.

### IPA III (2021-2027)

The European Commission is preparing the new Multiannual Indicative Financial Framework (MIFF) for the period 2021-2027. It should provide funds for support of the Western Balkans region and Turkey under the new IPA for the same reference period. In 2020, due to many reasons (elections for the European Parliament, election of a new Commission, negotiations between the European Parliament and the Council of the EU), including the management of the corona virus, the adoption of the MIFF is significantly delayed. Hence, the adoption of the IPA III regulation, the establishment regulation and the implementation rules regulation is also late.

In such circumstances, on 23 April 2020, the Directorate-General for Neighbourhood and Enlargement Negotiations announced the need to start programming the strategic response and programming the annual programmes for 2021 and 2022.

According to the draft text of the Regulation establishing IPA III, the Commission proposes a Programme Framework for the period 2021-2027 in which it addresses all priority areas that would be financed in the coming period. Based on the Programme Framework, each country prepares a strategic response which explains how the EU first of all strategically covers the priorities in the national and sectoral strategic documents, and later on which projects it will work on in order to specifically meet these priorities.

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124 Framework agreement with the European Commission on the rules for implementation of financial assistance under the Instrument for Pre-Accession Assistance (IPA 2), Decree establishing the relationships between the authorities and structures for indirect management of the Instrument for Pre-Accession Assistance (IPA 2), all documents regulating the processes (such as Implementation Agreement, operational agreements, protocols, appropriate procedure manuals, etc.)



The Instrument for Pre-Accession Assistance IPA III for the period 2021-2027 envisages 5 so-called windows and appropriate thematic priorities, as follows:

|          |   | THEMATIC PRIORITIES   |
|----------|---|---|
| WINDOW 1 | RULE OF LAW,<br>FUNDAMENTAL RIGHTS<br>AND DEMOCRACY   | <ul style="list-style-type: none"> <li>• Judiciary</li> <li>• Fight against corruption</li> <li>• Fight against organised crime</li> <li>• Migration and border management</li> <li>• Fundamental rights</li> <li>• Democracy</li> <li>• Civil society</li> </ul>   |
| WINDOW 2 | GOOD GOVERNANCE,<br>LEGISLATIVE<br>ALIGNMENT, GOOD<br>NEIGHBOURLY RELATIONS<br>AND STRATEGIC<br>COMMUNICATION | <ul style="list-style-type: none"> <li>• Good governance</li> <li>• Administrative capacity and harmonisation of national legislation with European legislation</li> <li>• Good neighbourly relations and reconciliation</li> <li>• Strategic communication, monitoring, evaluation and communication activities</li> </ul> |
| WINDOW 3 | GREEN AGENDA<br>AND SUSTAINABLE<br>CONNECTIVITY   | <ul style="list-style-type: none"> <li>• Environment and climate change</li> <li>• Transport, digital economy and energy</li> </ul>   |
| WINDOW 4 | COMPETITIVENESS AND<br>INCLUSIVE GROWTH   | <ul style="list-style-type: none"> <li>• Education, employment, social protection and inclusive policies and health</li> <li>• Private sector development, trade, research and innovation</li> <li>• Agriculture and rural development</li> <li>• Fisheries</li> </ul>  |
| WINDOW 5 | ТЕРИТОРИЈАЛНА И<br>ПРЕКУГРАНИЧНА<br>СОРАБОТКА   | <ul style="list-style-type: none"> <li>• Cross-border cooperation with IPA countries</li> <li>• Participation in micro regional strategies</li> </ul>   |



The programming is implemented in two phases. In the first phase, Action Fiches were prepared in which the proposed projects were briefly explained. The Commission analysed these fiches in terms of their relevance. In the second phase, the action documents are prepared only for those projects that have passed the first phase, i.e., the projects are fully elaborated and they are analysed by the Commission from the aspect of maturity. After the approval of these action documents, the tender documents for the approved projects in both phases of approval are submitted to the Commission.

In August 2020, the Secretariat for European Affairs submitted the first draft versions of the Strategic Responses for IPA 3 to the Directorate-General for Enlargement Policy and the first draft versions of the Action Plans for the IPA 3 Annual Programmes for 2021 and 2022. All action fiches were approved in terms of their relevance, on the basis of which the strategic answers for IPA 3 action documents for the IPA 3 annual programmes for 2021 and 2022 are currently being finalised. According to the announcements by the EU Delegation, the financial agreements for the IPA 3 Annual programmes for 2021 and 2022 are expected to be signed during 2021.

## Cross-border cooperation programmes 2020

According to EU Regulation 231/2014 on the establishment of IPA 2, territorial and cross-border cooperation, IPA 2 supports territorial and cross-border cooperation in order to promote good neighbourly relations, support European integration and promote socio-economic development.

North Macedonia participates in 5 cross-border cooperation programmes with neighbouring countries within IPA 2: three IPA programmes with the Republic of Albania, the Republic of Kosovo and the Republic of Serbia, which are implemented using the model of direct and indirect management and two cross-border cooperation programmes with member states of the EU - the Republic of Greece and the Republic of Bulgaria, which are implemented according to the model of divided management.

Regarding the IPA programmes for cross-border cooperation, two parallel processes were implemented during 2020: implementation of the programmes for cross-border cooperation from the programming period 2014-2020, i.e., 2016-2020 for the programme with the Republic of Serbia, during which two calls were implemented for project proposals under the programme with Greece and the programme with Albania, as well as planning and preparation of the new programme documents for cross-border cooperation for the programming period 2021-2027, within IPA 3. Within the second activity, joint bodies were established for programming for the 5 future cross-border cooperation programmes with the neighbouring countries, whereby by the end of 2020 the first draft versions of the cross-border cooperation programmes 2021-2027 of North Macedonia with Albania, Serbia and Kosovo were submitted to the European Commission, while the preparation of programmes with Greece and Bulgaria is ongoing.

The interest for financing strategic projects within the new programmes for cross-border cooperation is evident and in that direction consultations are being held for inclusion of strategic projects in the programme with Albania (establishment of the ship line Ohrid-Pogradec, reconstruction of the Blato-Spas border crossing), Bulgaria (strategic project related to the Klepalo-Strumyani border crossing) and Greece (strategic project related to the Markova Noga-Laimos border crossing).

## Short-term priorities

In the forthcoming period, the realisation of the cross-border cooperation programmes within IPA 2 is expected to continue. In terms of cross-border cooperation programmes within IPA 3, the programming processes will continue in the upcoming period in accordance with the established procedures and the final programming documents are expected to be finalised by the end of 2021.

## Medium-term priorities

In terms of medium-term priorities, the focus will be on the successful implementation and, further, closure of the IPA 2 cross-border cooperation programmes, as well as the successful implementation of the IPA 3 cross-border cooperation programmes after their adoption by the European Commission and the signing of the respective financing agreements.

## Regional development

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Chapter 22 includes coordination and cooperation with several institutions in the country involved in the preparation and implementation of IPA funded projects in the field of regional development. The Ministry of Local Self-Government, in cooperation with the Bureau for Regional Development, has adopted several acts in the field of regional development that are already in operation. The Law on Balanced Regional Development was adopted by the Assembly on 27 January 2021 (Official Gazette No. 24/2021). The new Law is based on the principles of programming, partnership, compliance, co-financing, transparency, subsidiarity and sustainability. It should ensure increased efficiency in the use of funds for regional development and should create efficiency of the authorities and institutions responsible for regional development at the national level. Further, the new Law should harmonise the priorities for regional development at national level with the priorities of the EU, i.e., urban development, the EU closer to the citizens, etc., develop and ensure mandatory participation in all relevant regional development bodies.

Regarding financing of the balanced regional development, the new Law stipulates that the funds allocated in the Budget of the Ministry of Local Self-Government and the Bureau for Regional Development should be planned within a three-year development programme, while for other relevant Ministries and state agencies that implement programmes that are important for the regional development, it is mandatory, when allocating funds intended for

regional development, to take into account the level of development of the planning regions. In addition, their annual programmes should be submitted to the Council for Balanced Regional Development for review within the prescribed deadlines.

Regarding financing of the work of the Centres for Development of the Planning Regions, it is proposed that the funds they receive for their work from the state Budget, through the Budget of the Ministry of Local Self-Government, be increased from the current amount of MKD 1.2 million to up to MKD 2 million. The remaining necessary funds should be provided by the Centres for Development of the Planning Regions from their operations, primarily from the municipalities that are the final beneficiaries of the projects for development of the planning regions, which are implemented by the Centres.

At the same time, a **Strategy for Regional Development 2020-2030** has been prepared, which has been submitted to the Assembly for adoption. The Strategy, as a long-term planning document, defines the principles, objectives and priorities for regional development in the Republic of North Macedonia and defines the measures, instruments and financial and other means for their implementation.

In terms of regional development, the following acts have already been adopted and are in force:

- **Decision on classification of the planning regions according to the level of development for the period from 2018 to 2023**<sup>125</sup> adopted by the Government. The decision was made in accordance with the requirements of the Law on Balanced Regional Development for having a classification that will serve as a basis for determining the allocations of the central Budget aimed at supporting balanced regional development, i.e., financing of projects for further development of the planning regions.
- **Programme for balanced regional development:** In March 2021, the Government adopted the Programme for balanced regional development in 2021 (53/21), amended by the Programme for balanced regional development for 2021 with indicatively planned funds for 2022, which was adopted on 13 April 2021. According to the document, the distribution of funds to encourage balanced regional development in 2021, amounting to MKD 932,380,000, was done according to the following table:

TABLE 2 – Allocation of funds for balanced regional development for 2021

|  |                    |
|--|--------------------|
| <b>1. ACTIVITIES THROUGH THE MINISTRY OF LOCAL SELF-GOVERNMENT FOR 2021</b>  |                    |
| 1.1 Expenditures for financing of activities and tasks of the centres for development of the planning regions for the current year       | <b>9,880,000</b>   |
| <b>2. ACTIVITIES THROUGH THE BUREAU FOR REGIONAL DEVELOPMENT FOR 2021</b>  |                    |
| 2.1 Activities to reduce disparities between and within the planning regions and to increase regional competitiveness                    | <b>88,600,000</b>  |
| <b>3. ACTIVITIES THROUGH THE BUREAU FOR REGIONAL DEVELOPMENT FOR 2021 AND INDICATIVE AMOUNTS FOR ACTIVITIES PLANNED FOR 2022</b>         |                    |
| 3.1 Non-refundable participation in financing projects for development of the planning regions   | <b>457,875,000</b> |
| 3.2 Non-refundable participation in financing projects for development of areas with specific development needs                          | <b>124,875,000</b> |
| 3.3 Non-refundable participation for financing rural development projects  | <b>124,875,000</b> |
| 3.4 Non-refundable participation for financing urban development projects  | <b>124,875,000</b> |
| 3.5 Payment of funds for paying pension-disability and health insurance contributions for persons who have acquired the right to payment | <b>1,400,000</b>   |
|  | <b>–</b>           |

Source: Ministry of Local Self-Government

In addition, in December 2019, the Government adopted the Decision on designation of areas with specific development needs in the period from 2020 to 2024<sup>126</sup>.

## Country readiness for future use of Cohesion/ Structural Funds

Although there is currently no legal framework regarding the implementation of future cohesion/structural funds, initial discussions have begun, and the opinion of relevant stakeholders is that the institutional and legal set-up should be of a similar nature, according to the already established system for decentralised/indirect management with EU pre-accession assistance.

It is estimated that a period of 6-12 months is needed for institutionalisation of the modifications of the existing system with the adoption of the necessary legislation, as well as for appointment of the necessary structures. Most of the procedures related to the establishment of labour relations between different authorities will be adopted in the form of internal procedures or will require the consent of several different government institutions (such as Ministries, agencies, etc.).

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## Short-term priorities

In the coming period, the Ministry of Local Self-Government will continue to work on the appropriate updating of the existing legal framework for balanced regional development.

In that sense, the bylaws arising from the new Law on Balanced Regional Development are expected to be adopted in the first half of 2021, which should provide more efficient solutions for further reduction of the differences in the level of development between the planning regions, as well as for efficient and responsible public administration, in charge of policy implementation.

In addition, after the adoption of the new Strategy for Regional Development 2020-2030, the preparation of an Action Plan for implementation of the Strategy will begin.

In the short term, due attention will be paid to the adoption of the legal framework for the new IPA (IPA III) with the ratification of the

Law on the New Framework Agreement. This will happen after the adoption of the new Regulations for introduction of the new IPA by the European Commission, accompanied by the regulation on the manner of implementation. Taking into account the new regulation that should be adopted, the acts regulating the competencies and relations between the structures in the country responsible for indirect management will be amended in order to achieve their harmonisation, which is done for the purpose of establishing a system without prior controls by the EU Delegation (transition from ex ante to ex post control).

## Medium-term priorities

Regarding the medium-term priorities, the emphasis will be on identifying the needs for further amendments in the existing legal and institutional framework in accordance with European legislation, in order to prepare the country for future use of structural/cohesion funds, as well as a strengthened and established system for effective and efficient functioning of the systems for management and control with the IPA instrument.



# INSTITUTIONAL FRAMEWORK

## Current situation

Based on the existing legal framework, all national level structures operate in accordance with the IPA regulations (NIPAK, NAO, Head of Operational Structure, Audit Body, etc.). In addition, all process regulation documents (such as Implementation Agreements, Operational Agreements, Protocols, Appropriate Procedure Manuals, etc.) were prepared and signed, enabling the establishment of an implementation system with clearly defined tasks and responsibilities of all bodies involved. The Head of the Sector for Central Financing and Contracting was appointed Head of the relevant operational structures for indirect management of the IPA instrument for the financial perspective 2014-2020.

NIPAK, as the overall IPA coordinator in the country, enables coordination between the various stakeholders. Regular meetings are held with all relevant IPA authorities, as well as with EU representatives. NIPAK also regularly informs the Government on all IPA-related issues.

In addition to the initially established Operational Structure for IPA 1 (2007-2013), an Operational Structure was also established for each IPA 2 programme that should be implemented, i.e., four Operating Structures (7 institutions - Ministry of Transport and Communications, Ministry of Environment and Physical Planning, the Ministry of Justice and the Ministry of Interior, the Ministry of Education and Science and the Ministry of Labour and Social Policy, including the Sector for Central Financing and Contracting within the Ministry of Finance).

From an institutional point of view, the sectoral working groups established to assist the sectoral dialogue within the sectors are of great importance. Thirteen sectoral working groups have been established. During 2019, these sectoral working groups worked on the Performance Assessment Framework, that is, on defining of a set of indicators that are defined at the macro level, and the progress in their realisation will be monitored on a regular basis. The framework will be available to the general public.

Established in 2008 in the field of regional development, the Joint Consultative Committee of the Committee of the Regions of the European Union and the Republic of North Macedonia (JCC) will continue to work in the following period. Members of the Joint Consultative Committee are 11 representatives from the elected persons in the local self-government from the member states of the European Union, as well as 11 representatives from the Republic of



North Macedonia. Due to the global pandemic situation, no meeting was held during 2020.

In terms of the institutional framework, an important aspect according to which the capacity of the structures in charge of indirect management of IPA funds is measured and which directly affects the degree of absorption, is the quality of the prepared tender/project documents. Therefore, part of the quality control process within the Central Financing and Contracting Department (CFCD) is the monitoring of the so-called "rejection rate". This involves monitoring of two parameters, namely the "internal rejection rate" which is calculated based on the exchange of documents between the CFCD and the institutions that are the final beneficiaries of the projects, and the "external rejection rate" which is calculated on the basis of exchange of documents between the CFCD and the Delegation of the European Union, which are part of the calculations.

**Lesson Learned Analysis (LLA) for 2019**, representing external and internal rejection rates, was prepared by the CFCD and submitted to stakeholders on 9 June 2020. The analysis shows that, compared to 2018, the data show a slight increase in the rates for rejection and suspension of tender documents. The average external rejection rate for 2019 is 29% compared to the rate of 28% in 2018. Also an external suspension rate of 17% and an external rejection rate of 13% are included. In addition, LLA 2019 shows that the internal rejection rate, based on the exchange of documentation between the CFCD and line Ministries, has increased compared to 2018 – 39% in 2019 versus 37% for 2018.

One of the main reasons for this statistic is the departure of experienced staff, which was also happening in 2020, including vacant management positions throughout the IPA structure.

This analysis was submitted and shared with IPA structures to ensure that the lessons learned will be translated into lessons applied.

Within the current IPA project "Management of EU funds", the practice of supporting the work of sectoral working groups continues, but also with sessions through which certain practices and solutions are identified, lessons are learned and work is done on the application of the best solutions.

The current regional project "Open Regional Fund for South East Europe - Promoting EU integration through regional cooperation"

implemented through the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), envisages a more systematic approach to exchange of experiences and good practices between the countries in the pre-accession process, by establishing a regional network of Contracting Authorities from the countries in the Western Balkans region, as a regional platform for dialogue on topics of common interest.

The CFSD/CFCU continues to conduct training in detecting irregularities, resolving irregularities and fraud in a proper manner and reporting them to the Irregularity Management System (IMS). The project "Support to national authorities for effective fulfilment of the conditions set out in the financing agreements and the audit findings related to application of the IPA 2 assistance" was finalised, through which the national IPA structures received support in the process of effectively fulfilling the conditions set out in the funding and audit findings related to implementation of IPA 2 assistance in the areas of internal audit, management and IT security. A comprehensive package of information security policies, procedures and manuals covering all topics/areas of the Action Plan was prepared, several trainings and workshops on IT security were organised for the IPA staff and a Guide for end users on how to enable and ensure the sustainability of projects was adopted.

## Short-term priorities

Respecting the rule for submission of Annual Guarantee Statement for effective and efficient functioning of the system for decentralised management with IPA 1, as well as the Annual Declaration for managing the system for indirect management of IPA 2 funds on an annual basis, in each upcoming year these will be submitted by the Head of the Operational Structure to the NAO, in accordance with the established dynamics, by the end of February at the latest, and then by the National Authorisation Coordinator (NAO) to the European Commission.

Additionally, the Analysis for lessons learned for the previous year will be prepared annually, followed by a presentation of the same, which will discuss the most common mistakes and lessons learned with the employees of CFCD, EU Delegation and the Operating Structure.

The Joint Consultative Committee of the Committee of the Regions of the European Union and the Republic of North Macedonia (JCC) will continue with regular meetings held twice a year.

An IPA-funded project is also planned for procurement of information security equipment for all institutions covered by the

ICT Action Plan. If approved, a project for additional training for employees in the IPA structures and IT will also be implemented.

## Medium-term priorities

In the medium term, the strategic objectives and priorities are defined in the direction of efficient and effective functioning of the system for indirect management of the priority areas of IPA 2 funds, in accordance with the request for granting the right to implement the budget from the European Commission for the financial perspective 2014-2020, including establishment of the IPA 3 financial perspective system 2021-2027.

In the same direction, the focus remains on greater absorption of IPA funds as well as maintaining of lowest rate of rejection of tender documentation.

Emphasis will also be placed on determining the need for further amendments in the existing legal and institutional framework, in line with European legislation, in order to prepare the country for future use of the structural funds.

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# ADMINISTRATIVE CAPACITY

## Current situation

During 2020, there was a large outflow of staff in the IPA structures, which, as of the reporting period, amounted to 16 people, the most critical departure being the one of the Head and his assistant in the CFCD Sector, the Head of the Unit for General Affairs and Control, the Head of the Unit for EU, Public Procurement and Contracting in CFCD, as well as two experienced accountants in the management structure and experienced staff in the line Ministries (Ministry of Transport and Communications, Ministry of Environment and Physical Planning, Ministry of Education) and the NIPAK office.

The annual rate of fluctuation/outflow of employees in the structure has been continuously increasing over the years, reaching its peak at the end of 2019, resulting in an overall rate of 15% according to IPA Audit Body data. This percentage of administrative capacity increased during 2020 as well.

In accordance with the established procedures, the Head of the Operational Structure, as well as NAO, constantly monitor the development of the administrative capacities in relation to the number of employees, using various tools, such as:

- Regular preparation of Workload Analysis, Employment Plans and Employee Replacement Plans for each of the institutions involved (a detailed overview of the number of employees per institution is given in Table 4.1.4 in the Annex to this document);
- Assessment of the required skills and knowledge possessed by the employees using various performance indicators and review of the results from the application of the methodology for calculation of performance indicators of the institutions that are part of the Decentralised Management System;
- Preparation of Assurance Statement/Annual Management Declaration in order to verify that the management and control system in the relevant Operating Structure operates effectively and efficiently on an annual basis. The Statement of Assurance/Annual Management Declaration will be submitted by the NAO to the European Commission in February each year.

In order to upgrade the administrative capacity in the IPA management structures, the SEA, as national IPA coordinator, started preparing a retention policy of IPA staff. The basis for this

policy are the findings from the Audit Team of the Directorate-General for European Neighbourhood Policy and Enlargement Negotiations, within the IPA 2 Indirect Management Accreditation Award, from audit reports of the IPA Audit Body, and based on analyses of workload of the IPA structures. On the basis of the Conclusions adopted by the Government in October 2020, an inter-ministerial working group was established which works intensively to prepare the necessary legal amendments for the IPA staff retention policy, and the preparation of the policy document started with support from SIGMA. At the same time, SEA conducted a survey of the employees in IPA structures in the Ministries and other relevant institutions - beneficiaries of IPA funds, in order to obtain additional information that will be used to properly direct the measures in the policy document. The working group works on two parallel solutions: (1) system solution in a form of a comprehensive retention policy of IPA staff; and (2) temporary solution for retention of IPA staff, in order to bridge the period until the adoption of the system solution.

## IPA staff training

The IPA Training Facility, that is, the SEA Training Centre, usually prepares and conducts a two-year training needs assessment survey and a General Training Plan. The training need questionnaire for 2020 was submitted on 13 January 2020. The training centre also manages a group of expert trainers from the public administration, as well as a database of training needs collected from various institutions, conducting trainings related to the EU accession process, as well as the use of European funds, Annual work programme together with a draft proposal on engaging civil servants as trainers, which is crucial for providing relevant and up-to-date training of the administration and beyond – are the initiatives included in the Government Annual Programme for 2021.

During 2020, 4 events were organised with physical presence in the period January and February (trainings and workshops). However, since the pandemic was declared, the organisation of events related to capacity building was reduced to a minimum. In the summer of 2020, online activities started for capacity building (trainings and workshops) and the trend of the dynamics of their implementation will be increasing in the future.

Regarding the improvement of the administrative capacities of the

employees working on EU funded programmes/projects, the projects for strengthening of capacities of the employees are of greatest importance, however, the exchange of experience, cooperation and networking with the administration of other countries using pre-accession assistance proved to be the most useful tool for increasing the knowledge and improving the capacities of IPA structures. The cooperation takes place through study visits, seminars, workshops and meetings organised on their own initiative or through EC or EU funded projects.

Also, due to the introduction of the rules for sectoral approach to aid planning under IPA 2, the administrative capacity of the structures will have to be further strengthened. In this context, the project funded by EUIF 2014 "Support for management of EU funds" started in June 2017 and will be completed by the end of June 2022. The project is supported by the Secretariat for European Affairs and the sector working groups, and consists of two main components:

Component 1 - Strengthening of the sectoral approach; and  
Component 2 - Improving programming, monitoring and evaluation of programmes.

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## Short-term priorities

The focus remains on further strengthening of the administrative capacity of the Sector for Central Financing and Concluding Contracts and institutions that are part of the Operating Structures, as well as on strengthening of capacities of the institutions that use IPA funds through the direct management system.

Within the Operational Structures, a training need analysis the IPA OS/ members of all sectoral working groups is conducted on a biennial basis, and an annual Training Plan is prepared accordingly.

In the coming period, special attention will be paid on strengthening of capacities for implementation of IPA 2014-2020, the preparations for IPA 2021-2027, but also on raising of capacities for implementation of the European Structural and Investment Funds.

The SEA will finalise the retention policy document of IPA staff which will be adopted by the Government. The adoption of this policy for the IPA staff will establish a system for continuous training of the IPA staff, will provide better working conditions and will also provide financial and non-financial motivation, academic exchanges, networking, etc.

## Medium-term priorities

In the medium term, the administrative capacities of the Operating Structures will be continuously strengthened through employment and intensive training, in order to reach the optimal number of employees in the IPA structures given in the Workload Analyses, and thus achieving optimal distribution of work and obligations and their quality implementation.

The IPA staff retention policy will be continuously implemented and, if necessary, revised to respond to potential new challenges.

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# PROGRAMMING

## Current situation

Regarding the financial implementation of the Operational Programmes, the IPA funds are planned as part of the national Budget, which means that for each sector covered through IPA there, is a separate programme for development in the Budget. These programmes are part of the development budget, which usually includes multi-year projects that are mostly capital investments. These programmes include funds received from EU IPA grants and mandatory national co-financing provided from the state budget. The planning of these funds is done in the medium term, for a period of three years.

The financial agreement for implementation of the "EU for youth" and "EU for inclusion" actions from the IPA programme 2019 was signed and started to be implemented in March 2020. The first fixed tranche of EUR 3 million from the "EU for Youth" campaign was paid to the Ministry of Finance. Regarding the "EU for inclusion" action, the procurement procedures for the three envisaged activities are ongoing or in preparation.

In the period April-June 2020, the Government and the EU Delegation initiated a dialogue in order to create a new package of activities that will support the economy in the recovery period. The package of measures contained in the programme "EU Support to Social and Economic Resilience" (EU4Resilience) will support the country in mitigating the negative socio-economic impact of COVID-19, in the total amount of EUR 40 million. This package finances government measures aimed at improving the liquidity of micro, small and medium enterprises, as well as supporting the reintegration of unemployed women and men in the labour market, with a special focus on youth and women. The programme, inter alia, provides support for active measures for the labour market in the amount of EUR 10 million for sustainable and equitable recovery in the post-corona period. The amendments to the financial agreement for the IPA 2020 programme between the Government and the European Commission introducing the new budget programme "EU for social and economic resilience in the Republic of North Macedonia" were signed in September 2020.

The programming of the pre-accession assistance for the programming period 2021-2027 (IPA III) has started. The Strategic Response 2021-2027 has been prepared, which contains the

strategic priorities of the country for which financial support is expected from the EU through IPA III (for more details, see 3.22.1 Legislative Framework, Current Situation, IPA III (2021-2027)).

The status of implementation of the IPA II programmes is provided in Table 3 in the Annex of this document.

The complete data on the absorption of funds under IPA components III and IV in the period since 2013 until the end of 2017 are given in Table 4 in the Annex of this document.

## Preparedness for implementation of Cohesion/ Structural Funds

The most relevant strategic documents for future implementation of the Cohesion Policy are the documents related to transport and the environment, as well as those related to employment/education and social inclusion.

Regarding the transport sector, the main strategic document is the National Transport Strategy 2007-2017 which was the basis for programming of the Operational Programme for Regional Development 2007-2013 and the **Sectoral Operational Programme for Transport 2014-2020**. The Strategy especially focuses on projects towards the basic and comprehensive indicative expansion of the TEN-T network in the Republic of North Macedonia. The **New National Transport Strategy 2018-2030** is a continuation of the previous NTS. The National Transport Strategy proposes activities and policy measures for medium and long term in order to effectively and efficiently address the key challenge of improving the quality of transport infrastructure and services.

The coordination and prioritisation of the planned investments will be done through the Ministry of Transport and Communications, as a policy maker in the field of transport, and through the Government programme at a higher national level. Since 2018, the coordination is carried out through the Transport Community Treaty.

In the Sector for Environment and Climate Action, the basic planning document is the **Sectoral Operational Programme for Environment**

**and Climate Action 2014-2020**, which was prepared through a process of public consultation with relevant public institutions, the donor community and representatives of non-governmental organisations. This document serves as a basis for identifying specific projects that will support the country in overcoming the identified shortcomings.

During 2019, the Ministry of Environment and Physical Planning started drafting a **long-term Strategy and Law on Climate Action**, supported by a technical assistance project in the amount of EUR 1.15 million. The Ministry of Environment and Physical Planning, together with the project team, have been working in the past 18 months on assessing the current situation and conditions that will serve as a basis for preparing the long-term Strategy and the Law on Climate Action, establishing a strong and sustainable framework for climate action through development of national strategic and legal framework for climate action and with the establishment of a mechanism for monitoring greenhouse gas emissions in accordance with EU Monitoring Regulation 525/2013 and its implementing provisions, including awareness raising on climate activities in the country.

## Short-term priorities

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Regarding the Action Programme 2017 (IPA II), the MLSP and the Ministry of Education and Science, in cooperation with the Sector for Central Financing and Concluding Contracts and the EU Delegation, will continue the public procurement procedures for the envisaged projects. Some of the projects have already started in the second half of 2019.

The implementation of the Action Programme for IPA 2019 also started, in the following areas:

- Sector agriculture;
- Sector Competitiveness and Innovation;
- Sector Education, employment and social inclusion (one action document and one sectoral budget agreement) .

Additionally, in accordance with the EU guidelines and the discussions of the sectoral working groups, one third of all activities within the action documents have a regional component/dimension.

In parallel with these activities, activities are being implemented to support the Prespa region.

In 2020, the Financial Agreement for the Action Programme for 2020 was signed, and activities will be carried out for implementation of the Action Documents.

During 2021, the sectoral working groups, coordinated by the SEA,

will continue with the activities for use of the new generation of IPA by preparing **strategic answers and action documents** for all **thematic priorities from the windows of IPA III**. These preparations will also include the activities implemented by the SEA within the **National Investment Committee** in order to be able to select **investment projects** that are in an advanced stage of preparation of technical documentation and thus enable rapid start of tender procedures. In the coming period, according to the announcements, the European Commission will no longer finance projects only with grants, but will require the projects to be financed partly with grants and partly with loans. **The Investment Framework for the Western Balkans will finance investment projects that have regional significance at the level of the Western Balkans, and the domestic investments will be financed through IPA 2021-2027.**

## Medium-term priorities

The medium-term priorities are aimed at completing the strategic framework for implementation of IPA 2021-2027, as well as preparing the structures for transition from ex ante to ex post control. Activities to improve the sectoral approach will also continue in the medium term.

The relevant national bodies will also consider all possibilities and options for upgrading and reforming the existing structures for indirect management of IPA, for the purpose of future use of the Structural Funds.

# MONITORING AND EVALUATION

## Current situation

In order to ensure timely reporting on the status of programme and project planning, timely reporting on project implementation compared to the implementation plan and timely reporting at each level on the effectiveness of internal controls, in accordance with the audit recommendations of the European Commission, the agreement for "Upgrading the existing Management Information System with a comprehensive monitoring tool" for the purpose of development of a special monitoring tool was signed and the implementation was started. The finalisation of this project has led to improvements in functionality in the area of monitoring, public procurement and analysis of lessons learned. The maintenance of this system is financed from the national Budget through public procurement, on an annual basis.

Additionally, the Sectoral Monitoring Committees of IPA II are held on regular basis. In terms of IPA monitoring, 9 meetings of the IPA Sector Monitoring Committees were held during 2020, including the Monitoring Committee at the IPA level 2007-2013 and 2014-2020. The annual report on the implementation of IPA 2014-2020 for 2019 and the Sectoral Report on the implementation of the IPA component for transition assistance and institutional strengthening for 2019 have also been prepared.

## Visibility and communication activities

The Secretariat for European Affairs, the Sector for Central Finance and Signing of Contracts and the line ministries are continuously implementing activities in order to ensure adequate visibility of the EU support through compliance with the EU Visibility and Communication Manual. In the same direction, the Secretariat for European Affairs, in a role of NIPAK, prepared the Strategy for visibility of projects financed by EU.

In cooperation with the EU Delegation, campaigns were organised about the EU support from the IPA funds in the investment and development of transport infrastructure and environmental protection.

Better transparency was noticed in the use of EU funds. National authorities are working on activities aimed at better informing of the citizens and communities about the opportunities and benefits of the EU funds for the country. In addition, there are also visibility activities undertaken by each project.

## Short-term priorities

During 2021, the focus remains on continuous improvement of the monitoring and evaluation process through regular internal reporting within the IPA structures, as well as to the European Commission, on the use of IPA funds, in order to improve the effectiveness.

Coordination at the NIPAK level is also expected to continue in order to monitor the progress of the implementation of the Operational Programmes (at the level of procurement plans and project/programme implementation).

During 2021, visits for sustainability testing to projects that have been finalised will continue.

During 2021, it is planned to monitor the progress in meeting the indicators set at macro and micro level within the IPA 2014-2020, and the Performance Assessment Framework it is expected to be fully operational. This activity is expected to facilitate the annual reporting and to improve the functioning of the sectoral approach.

## Medium-term priorities

Continuous implementation of the system for monitoring and evaluation of the implementation of the Operational Programmes is envisaged in the next period, through regular reporting to the European Commission (once a year) on the implementation of the Operational Programmes under IPA 1 and IPA 2, regular meetings of the Sector Monitoring Committee (up to twice a year), conducting regular monitoring in accordance with the Monitoring plans and risk analysis of individual projects, as well as conducting evaluations at the level of Operational Programmes.

In the medium term, trainings for improvement of capacities for working with indicators will be realised, by encouraging the institutions to collect and process statistical data from their competence.

# FINANCIAL MANAGEMENT AND CONTROL

## Current situation

Regarding the financial implementation of IPA I and IPA II programmes, IPA funds are planned as part of the National Budget, which means that for each IPA component there is a separate programme for development in the Budget. These programmes are part of the development Budget, which usually includes multi-year projects that are mostly capital investments. The planning of these funds is done in the medium term, in a period of three years.

In January 2021, the Government adopted and submitted to the Assembly the new draft Law on Budgets. The new Law on Budgets, which should enter into force from 1 January 2023, fits into the concept of SMART finance, i.e., it is aimed at implementing reforms in the budget planning and execution processes, strengthening of fiscal discipline, stable fiscal projections for the medium term, integration of processes in public finances and improved transparency. The Law also introduces fiscal rules, as well as the establishment of a National Fiscal Council, which should provide independent and professional analysis and opinion on macroeconomic and fiscal assumptions, fiscal strategy, budget, budget execution reports, fiscal risks and compliance with fiscal rules.

For the purpose of further harmonisation of the national legal framework for financial control and independent internal audit, the Ministry of Finance had intensive cooperation during 2019 with the Croatian administration within the EU twinning project "Further improvement of the internal control system". A gap analysis was prepared about the current situation in the financial control and internal audit in our country and their compliance with the internationally accepted standards. Based on this assessment, the project team and the Ministry of Finance drafted a new Law on the System of Internal Financial Control in the Public Sector and several bylaws, which the Government adopted in December 2020 and forwarded them to the parliamentary procedure. The purpose of this draft Law is to define a framework for a modern, appropriate and effective system of internal financial control in the public sector, which includes financial management and control, internal audit and central coordination and harmonisation, as well as strengthening of internal financial control by creating a new



system of managerial accountability.

The National Strategy for Fight against Fraud for the purpose of Protection of the Financial Interests of the European Union for the period 2019-2022 is currently being implemented. A draft decree on irregularities and a draft decision on the AFCOS network have been prepared. The texts of these two documents were discussed among all stakeholders in the system, as well as with the representatives of OLAF and EU Delegation. The text of the two documents is expected to be finalised during 2021, i.e., after the adoption of the Law on Budgets, which is currently in parliamentary procedure.

The management and control system is subject to audit by internal audit, independent external audit by IPA Audit Body and auditors by the European Commission. During October 2020, the EC submitted a final report with new audit findings and recommendations, submitted by the Directorate-General for Enlargement - DG NEAR, regarding the verification mission carried out by them during ~~June~~ 2019. In November 2020, NAO prepared and submitted an Action Plan for implementation of the recommendations from the above report with short deadlines (by the end of 2020 or the beginning of 2021).

The National Authorisation Coordinator monitors the implementation of the recommendations from the conducted audits in accordance with the applicable procedures on a regular (quarterly) basis.

## Short-term priorities

Regarding the IPA 2 perspective in 2021, the priority will be the effective and efficient implementation of IPA II funds, in a situation of an indirect management system, further strengthening of the system by implementing controls, fulfilment of the conditions set by the European Commission in the financial agreements for financing IPA 2 assistance as well as implementation of the findings of the Audit Body.

Short-term measures are envisaged for strengthening the capacities of the internal audit function in the institutions responsible for implementation of regional development programmes, in terms of their further education and practical training (by implementing a twinning agreement).

## Medium-term priorities

Continuous strengthening of the control mechanism in the direction of effective and efficient implementation of the IPA 2 programmes.

# FINANCIAL AND BUDGETARY PROVISIONS

## Findings and recommendations from the EC 2020 Report

Preparations in this area are at an **early stage**. **Limited progress** was made under this chapter primarily relating to the legal framework for taxation, customs, statistics and financial control. A sound institutional set-up has not yet been established to enable the efficient functioning of the own resources system.

Since not all 2019 recommendations were implemented, in the coming year the country should:

- ▶ further harmonise the legal basis for the underlying policy areas affecting the correct application of the own resources system;
  - ▶ enhance the administrative capacities and co-ordination mechanisms among key stakeholders in the system.
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# TRADITIONAL OWN RESOURCES

## SUMMARY

The Financial and Budgetary Provisions chapter covers the rules and the establishment of the necessary conditions and capacities of the system of own funds, in order to timely and accurate calculate the collection, payment and supervision of funds that the Republic of North Macedonia will be paying in the budget of the European Union since the day of its EU accession. These funds are the so-called traditional own funds, which originate from revenues collected from customs duties, value added tax and the gross national income of each member state.

The legislation in this chapter is mandatory and does not require transposition into the national legislation. Within the already established institutions (Ministry of Finance, State Statistical Office, Customs Administration and Public Revenue Office), as well as on the basis of the established mechanisms and procedures applied in the field of budgeting, tax, customs regulation and statistics, no significant difficulties are expected with the implementation of the European Union legislation in this chapter.

## Current situation

The Ministry of Finance, in cooperation with the World Bank, was working on improvements to the public finance management system, such as the Law on Budgets, development of a detailed plan of all functional processes in the Ministry of Finance and their mapping, as well as preparation of a detailed technical specification for Integrated Information System for Public Finance Management (IFMIS).

Talks are underway with development partners (World Bank, EU Delegation, Embassies of US and United Kingdom, USAID) to review opportunities for provision of a financial framework for IFMIS, given the maturity of the project and the preparations made over the past two years. The project is expected to start in 2021.

The State Statistical Office was working on improvement of the quality of the gross national income components. The funds of the employees were divided into salaries and contributions using data from the final accounts that the business entities submit to the Central Register and fiscal data from the Ministry of Finance. In the final data for the sectoral accounts for 2018, that division is implemented at the level of institutional sectors and subsectors on the usage side of the *Income generation account*. A balance was also made between salary and contribution data between institutional sectors and subsectors.

The Transmission Table 800 Annual Sector Accounts, which contains detailed data from the non-financial account by institutional sectors and sub-sectors for the period 2014-2016 has been submitted to Eurostat. During this period, several tables were also submitted to Eurostat using the SDMX tool in accordance with the ESA 2010 transmission programme.

Within the State Statistical Office, the multi-user programme for statistical cooperation IPA 2017 is underway, which lasts until 31 December 2021. It is planned to improve the quality of the data and to prepare a larger series of data for filling in the table 800 Annual Sector Accounts, for the period 2012-2020.

In September 2020, the final data for the gross domestic product for 2018 was published, and in October the previous data for 2019 produced for the first time with the help of the data warehouse in the National Accounts was published.

Within the Sector Accounts project, as part of the IPA 2017 multi-beneficiary programme, the part of the contributions of the employees for pension insurance, which are included in the second and third pension pillar, was separated.

During this period, the State Statistical Office worked on reclassification of certain institutions according to the institutional sectors, which contributes to improving the quality of the final GDP data for 2018. There are also activities on improving the quality of the balancing items between institutional sectors, as well as conceptual adjustments.

Within the project for Promotion of production and dissemination of statistical data, as part of the National Programme IPA 2018, the preparation of the account for government finances on a quarterly basis for the period 2017-2018 is underway.

Within the Public Revenue Office, in terms of the activity for Strengthening of the administrative capacities, activities were carried out on capacity building of the tax administration for administration of tax revenues and contributions and for providing quality services to the beneficiaries, improving the skills and knowledge of the tax officers and change management in order to support the tax reform and modernisation - electronic tax administration.

## Short-term priorities

The draft Law on Budgets is expected to be adopted by the Assembly by the end of the first quarter of 2021. The new Law is in line with the commitment to improve the public finance management system, in order to provide a framework for conducting sound, predictable and sustainable fiscal policy and increasing budgetary discipline and accountability.

The Law contains provisions regarding:

- Publishing of a Register of public sector entities;
- Establishment of an Independent Fiscal Council;
- Improvement of the process of medium-term fiscal strategy, preparation of a baseline scenario and new initiatives;
- Improvement of transparency (submission of data on

public enterprises, local self-government units)

- Establishment of an Integrated Public Finance Management Information System.

In the following period, the Ministry of Finance, in cooperation with the World Bank and the Government of the United Kingdom, as well as through the twinning project from EU IPA, will continue to work on preparation of bylaws, guidelines, manuals, etc., aimed at operationalisation of the new Law on Budgets, further improvements to the system for public finance management, as well as development of a detailed plan for all business processes in the Ministry of Finance.

## Medium-term priorities

In January 2020, the Ministry of Finance launched the implementation of a new EU-funded project aimed to "Improve Revenue Collection and the Tax and Customs Policy". The project will last for 3 years and consists of four components:

- Component 1 - Legislation in the field of taxation and customs harmonised with EU legislation, standards and best practices;
- Component 2- Strengthening of capacities of the Ministry of Finance for conducting tax policy analysis and forecasting;
- Component 3 – Improvement of operational and administrative capacity of the Customs Administration for implementation of national legislation and procedures, management of accounting and IT services; and
- Component 4 – Improvement of operational and administrative capacity of the Public Revenue Office for implementation of national legislation, IT services and procedures.

In the coming period, activities will be implemented in order to strengthen the capacity for tax analysis, improve tax reporting based on EU best practices and improve the accuracy of revenue projection models. There will be also activities related to Component 3, in terms of strengthening of capacities for implementation of the amended customs and tax regulation, increased scope of use of simplified procedures in customs operations, improvement of the



efficiency of customs controls and detection of customs fraud, as well as improvement of capacity for establishment of a system of traditional own resources (accounts A and B).

In the following period, the EU Twinning project "Strengthening of budget planning, execution and internal control" will focus on the preparation of draft bylaws, regulations/guidelines and methodological tools for treasury operations, public debt management and macroeconomic issues, as well as strengthening of capacities of the Ministry of Finance and budget users - all of which are covered in Component 1 of the project. The project will last for 3 years.

The State Statistical Office will continue with regular data transmission using the SDMX tool in accordance with the ESA 2010 transmission programme. There is also continuous work on updating the list of units in the institutional sector State.

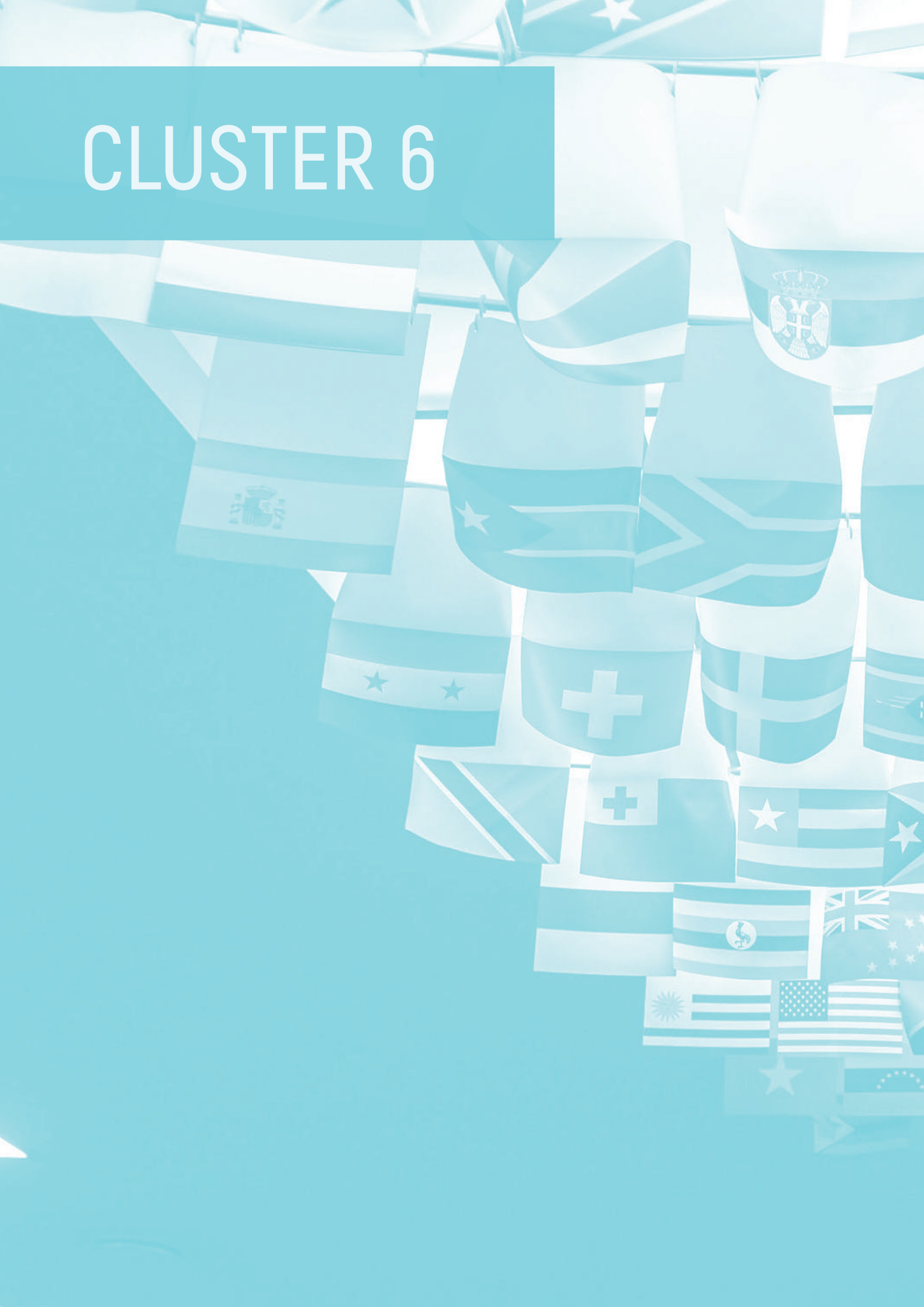
By the end of 2023, the State Statistical Office will prepare Guidelines for calculating the average weighted VAT rate.

In the coming period, the Public Revenue Office will continue with implementation of measures and activities in the fight against prevention and protection to prevent tax fraud and shadow economy, establishing an effective institutional structure, processes and mechanisms for detecting and combating tax fraud, for identifying and formalising the informal economy.

Within the activity for Mobilisation of revenues from the Public Finance Management Reform Programme, activities will be carried out in order to improve the realisation of the tax revenue collection and ensure long-term stability of IT systems in case of crisis.



# CLUSTER 6



# EXTERNAL RELATIONS



**The External Relations cluster** primarily contains our reform priorities in terms of alignment with the EU's common foreign and security policy, participation in joint missions, regional initiatives and trade cooperation with third parties.

The External Relations cluster covers chapters **(30, 31)**.

The priorities in Chapter 3.30 - External Relations, are aimed at fulfilling the obligations arising from the membership in the World Trade Organisation (WTO), the Stabilisation and Association Agreement (SAA), CEFTA and other free trade agreements with which commitments are made for preferential trade regime, towards implementation of the Multiannual Action Plan for the Regional Economic Area (MAP REA), as well as the harmonisation with the *acquis*.

In Chapter 3.31 - CFSP, the country continuously adheres to declarations, statements and other EU documents, including Council decisions introducing restrictive measures. The country expresses its commitment to global peace and security and sharing of the same values with the member states of the Euro-Atlantic Community through its contribution to UN missions as well as to NATO-led missions. The country continues to contribute to the advancement of the bilateral political dialogue with the EU and to be an active participant in the multilateral political dialogue with the EU.

The External Relations cluster is directly linked to the **Fundamentals** cluster - Democracy and good governance, Regional cooperation, and Economic Governance, as well as other clusters Internal market, Competitiveness and inclusive growth, Green agenda and sustainable connectivity, Resources, agriculture and cohesion.

The priorities of the External Relations cluster are related to the **strategic priorities** of the Government regarding the successful conduct of the accession negotiations and effective management with the COVID-19 pandemic consequences.

The priorities are also linked to specific **PER** objectives, such as trade facilitation reforms and improved trade relations.



From the aspect of the Instrument for Pre-Accession Assistance (**IPA-3**), the reforms are related to WP5: Territorial and cross-border cooperation.

The **UN** Strategic Development Goals (**SDG**) to reduce inequality between countries and build partnerships are also addressed through the reforms in this cluster.

In terms of planned **financial resources**, about EUR 14 million from the national Budget and about EUR 4.5 million from IPA and other donor assistance for the next five years are envisaged for the reforms in this cluster

# EXTERNAL RELATIONS

## Findings and recommendations from the EC 2020 Report

North Macedonia is **moderately prepared** in the area of external relations and **some progress** was made in meeting the 2019 recommendations over the reporting period. The country continued its good cooperation with the EU, including within the World Trade Organisation (WTO). Institutional capacity to fully participate in the EU commercial, development and humanitarian policies is still insufficient. In the coming year, the country needs in particular to:

- ▶ enhance overall administrative capacity regarding trade policy, the Central European Free Trade Agreement (CEFTA) and work in the WTO framework, in particular to efficiently implement the multiannual action plan for the development of a Regional Economic Area (REA) in the Western Balkans;
- ▶ implement actions under the multiannual action plan for the development of REA: in particular, ensure the full implementation of CEFTA Additional Protocol 5 on trade in goods, ratify and implement CEFTA Additional Protocol 6 on trade in services, negotiate and ensure swift implementation of CEFTA Additional Protocol 7 on dispute settlement, adopt regional standards for international investment agreements, and pursue the implementation of the "individual reform action plan" (IRAP) on investment.



# SUMMARY

The activities in Chapter 3.30 are aimed at fulfilling the obligations arising from the membership in the World Trade Organisation (WTO), the Stabilisation and Association Agreement (SAA), the CEFTA 2006 Agreement and other free trade agreements with which commitments for preferential trade have been undertaken.

The activities were equally focused on preparation and coordination of activities for implementation of the Second Audit of the Trade Policy of the Republic of North Macedonia in the World Trade Organisation, the WTO Public Procurement Agreement accession negotiations, negotiations on amending the Free Trade Agreement with Ukraine, negotiations for concluding a Partnership, Trade and Cooperation Agreement between the Government of the Republic of North Macedonia and the United Kingdom of Great Britain and Northern Ireland, the implementation of the Multiannual Regional Economic Action Plan (MAP REA), as well as the harmonisation with the *acquis*.



# COMMON COMMERCIAL POLICY

## Current situation

During 2019, the Second Revision of the country's trade policy in the WTO was implemented and successfully evaluated. During 2020, the negotiations for accession to the WTO, the Public Procurement Agreement and the implementation of the Trade Facilitation Agreement continued. Regarding the implementation of component 1 – Trade, MAP REA adopted the Decision for facilitation of trade in fruits and vegetables. With this, the CEFTA parties began to develop the Mutual Recognition Agreement (MRA) and the implementation of the mutual recognition programmes - border documents, where applicable (as outlined in AP5) and the Authorised Economic Operators Programme. The implementation of the SEED system has started. Negotiations on the CEFTA Additional Dispute Resolution Protocol have also started and the Additional Protocol 6 on Trade in Services has been ratified. A Roadmap to Dialogue on Regulatory Issues in Electronic Commerce at CEFTA was proposed. The maintenance of the platform for statistics on trade in services FATS and SDI is ongoing.

According to the Economic Reform Programme 2020-2022, the measure for trade facilitation continues, i.e., the measure for implementation of Additional Protocol 5 to the CEFTA 2006 Agreement, which aims to simplify inspections related to all customs procedures and maximize the reduction of formalities through electronic information exchange between customs authorities.

In December 2020, the Government adopted a Decision on the early implementation of the Partnership, Trade and Cooperation Agreement between the United Kingdom of Great Britain and Northern Ireland and the Republic of North Macedonia.

The activities for harmonisation of the text of the amendments to the relevant protocols of the Free Trade Agreement with the EFTA countries continued, regarding the rules of origin by following the rules of the Pan-Euro-Med (PEM) Convention, as well as the negotiations for further liberalisation of trade in agricultural products under the Free Trade Agreement with Ukraine and for amendments to Protocol C on the origin of goods under the Agreement, in accordance with the PEM Convention.

The Law on Control of the Foreign Trade in Raw Diamonds was adopted (Official Gazette No. 143/2019), a draft text of the Law on Foreign Trade in Goods and Services which can be used for

execution, torture or other cruel, inhuman or degrading treatment was also prepared. During 2020, the bylaws under the Law on Control of Foreign Trade in Raw Diamonds (Official Gazettes No. 99/20 and 183/20) were adopted.

A Decision was adopted to establish the List of goods and technologies for dual use (Official Gazette No. 81/20), harmonised with the regulation of the EC Council 2019/2199 of 17 October 2019 amending Regulation (EC) 428/2009 of the Council establishing a Community system for control of exports, transmission, intermediation and transit of dual-use goods (CELEX No. 312019R2199).

The Regulation on export credits 1233/2011 regulates the manner and conditions for supporting the export of goods and services, with a repayment period of over 2 years. The support can be in the following forms: 1) export guarantees or insurance; 2) direct lending (financing and refinancing); and 3) a combination of these two forms. Funds for support are provided by the state.

The loans for export and export insurance are provided by the Macedonian Bank for Promotion of Development, with a repayment period of maximum 2 years for loans or 180 days for insurance. The lending and insurance funds are provided mainly by foreign credit lines.

## Short-term priorities

During 2021, the negotiations for accession to the Public Procurement Agreement of the WTO will continue, with the implementation of the Agreement on Trade Facilitation within the World Trade Organisation and with the fulfilment of other obligations arising from WTO membership.

Within CEFTA 2006, it is planned to continue the activities for implementation of the Additional Protocol 5 on Trade Facilitation, as well as to complete the negotiations for establishment of the dispute resolution mechanism.

In the course of 2021, it is planned for the Joint Committee under the Free Trade Agreement between the Republic of North Macedonia and EFTA countries to adopt and sign the Decisions to amend Protocol B of the Free Trade Agreement, which refers to definition of the concept of products with origin and methods of administrative cooperation, following the rules of the PEM Convention, amendment of the Agriculture Protocol with Iceland,

amendment of the Agriculture Protocol with the Kingdom of Norway and amendment of the Agreement on Agricultural Products with the Swiss Confederation, as well as implementation of their ratification process.

In 2021, the Partnership, Trade and Cooperation Agreement between the Government of the Republic of North Macedonia and the United Kingdom of Great Britain and Northern Ireland will be ratified and negotiations for further trade liberalisation with Turkey will begin.

Also in 2021, the negotiations for further liberalisation of trade in agri-food products under the Free Trade Agreement with Ukraine are expected to continue and to be completed, including adoption of two Decisions of the Joint Committee to amend Protocols B and C of the Agreement and to carry out the process of their ratification.

In the first quarter of 2021, a Decision establishing the List of dual-use goods and technologies will be adopted in accordance with Delegated Regulation 2020/1749 of the EC Council amending Regulation (EC) 428/2009 of the Council establishing a Community system for control of exports, transmission, intermediation and transit of dual-use goods and technologies (CELEX 32018R192).

In the second quarter of 2021, the Law on Amendments to the Law on Control of Export of Dual-Use Goods and Technologies will be adopted.

## Medium-term priorities

The bylaws of the Law on Foreign Trade in Goods and Services that can be used to carry out death penalty, torture or other cruel, inhuman or degrading treatment or punishment will be enacted and the List of Dual-Use Goods and Technologies will be updated. Additionally, an internal compliance programme for the strategic control of trade will be developed.

The Partnership, Trade and Cooperation Agreement with the United Kingdom of Great Britain and Northern Ireland, the existing Free Trade Agreements, Additional Protocol 5 and Additional Protocol 6 to CEFTA, as well as amendments to the Commodity Origin Protocols, will be implemented. The implementation of the export control of the dual-use goods and technologies will continue and the implementation of the Law on Foreign Trade in Goods and Services that can be used to carry out death penalty, torture or other cruel, inhuman or degrading treatment or punishment will begin.



# BILATERAL AGREEMENTS WITH THIRD COUNTRIES

## Current situation

The Republic of North Macedonia has so far concluded (signed) 42 bilateral agreements for encouragement and mutual protection of investments. Of these, 40 bilateral agreements have entered into force, while 2 agreements have been ratified only by our country and will enter into force upon completion of the ratification process in the respective countries.

Out of the total number of concluded agreements, 19 agreements have been concluded with the member states of the European Union and all of them have entered into force.

On 16 October 2019, the Agreement on Encouragement and Mutual Protection of Investments with the Republic of India expired.

## Short-term/Medium-term priorities

A new draft text of the Agreement on encouragement and mutual protection of investments will be prepared, which is the basis for negotiations with third countries. It is necessary to prepare this agreement in order to improve and harmonise the existing draft text with the modern European standards for this type of agreements.

# DEVELOPMENT POLICY

## Current situation

No methodology has been adopted for calculating the aid provided and introduction of a mechanism for consolidating the data on the granted development aid.

## Short-term priorities

In the field of development policy and humanitarian aid, it is planned in the short term for the Ministry of Foreign Affairs, as the competent institution for implementation of the development policy and cooperation, to acquaint other line Ministries and competent institutions with the principles and political commitments of the EU in this regard included in EU documents and other relevant international documents.

## Medium-term priorities

Activities will be carried out on setting geographical and thematic priorities, creation of a database on the available capacities of the country for granting development assistance and introduction of a mechanism for unifying the data on the granted development assistance. It is expected that new findings on the functioning of IATI and EU-DEVFIN will help in this regard.

It is planned to prepare a National Strategy for Development Cooperation, as well as a Law on Implementation of International Development Assistance.

In addition, in the coming period, activities will be carried out on acquiring knowledge about the methodology used in reporting on official development assistance and training of the administration on the methodology used by the OECD/DAC, in order to increase the institutional readiness for the upcoming obligations in this area of EU membership. It is planned to intensify the cooperation with the non-governmental sector and with other member states or specialised agencies from other countries for implementation of trilateral development projects.

# HUMANITARIAN AID

## Current situation

Following the outbreak of the COVID-19 pandemic, the Directorate for Protection and Rescue activated the European Civil Protection Mechanism in order to provide assistance in dealing with the health consequences of the coronavirus.

DPR representatives regularly participate in all coordination meetings of the EU Civil Protection Committee and the Emergency Response Coordination Centre – ERCC.

Within the framework of the Humanitarian Mine Action Programme of the United States EUCOM, a Memorandum of Cooperation was signed between the Ministry of Interior and the Directorate for Protection and Rescue for implementation of joint training and projects in the field of anti-terrorist protection and rescue from unexploded ordnance and other explosives.

In the area of international cooperation, the Directorate for Protection and Rescue started the harmonisation of the memoranda for cooperation for disaster management and emergency management with the related institutions from the Republic of Turkey, NATO and the Russian Federation.

Operational Plan was prepared for implementation of the second National Action Plan (NAP) of North Macedonia for implementation of the UN Resolution 1325 - Women, Peace and Security 2020-2025;

## Short-term priorities

- Implementation of the recommendations from the European peer review evaluation mission;
- Implementation of the process of connection with the EU Common Emergency Communication and Information System - CECIS.



## Medium-term priorities

- Development of a National Protection and Rescue Strategy with the support of the World Bank, through the technical assistance project for Strengthening the Disaster Management System of the Republic of North Macedonia and review of the key accompanying national plans and assessment documents using a modified approach to address challenges imposed by the current pandemic, funded by the EU.
- Amendments to the Law on Protection and Rescue, in parallel with the harmonisation with the European legislation.

## Ongoing projects

- EU IPA project for safe cross-border transport of hazardous substances - ongoing.
- IPA project for cross-border cooperation in the area of flood management for the river Vardar - ongoing.
- Project for introduction of National Incident Command System (NICS) - US Supported - ongoing.
- World Bank Technical Assistance Project for Development of a National Protection and Rescue Strategy (EC funded) – ongoing.
- EU Project X-STOCK, aimed to strengthen the cross-border cooperation and preparedness through mutual management of funds and equipment for disaster management in Southeast Europe - the signing of the Grant Agreement is underway.
- FOC2S project "Technologies for the members of the emergency services", within the Horizon 2020 Programme. The project application has been submitted.
- NATO VECTOR Project (NATO Programme for Science, Peace and Security) which provides a smart solution for members of the security services - an application for multimedia recording and a platform for real-time command and control - ongoing.
- IPA Regional Programme - EU support for flood prevention and forest fire risk management in the Western Balkans and Turkey.



# COMMON FOREIGN AND SECURITY POLICY

## Findings and recommendations from the EC 2020 Report

The country continues to be **moderately prepared** in this area. **Some progress** was made during the reporting period, with continued participation in EU crisis management missions and operations. North Macedonia became a full member of NATO in March 2020. In the coming year, the country should in particular:

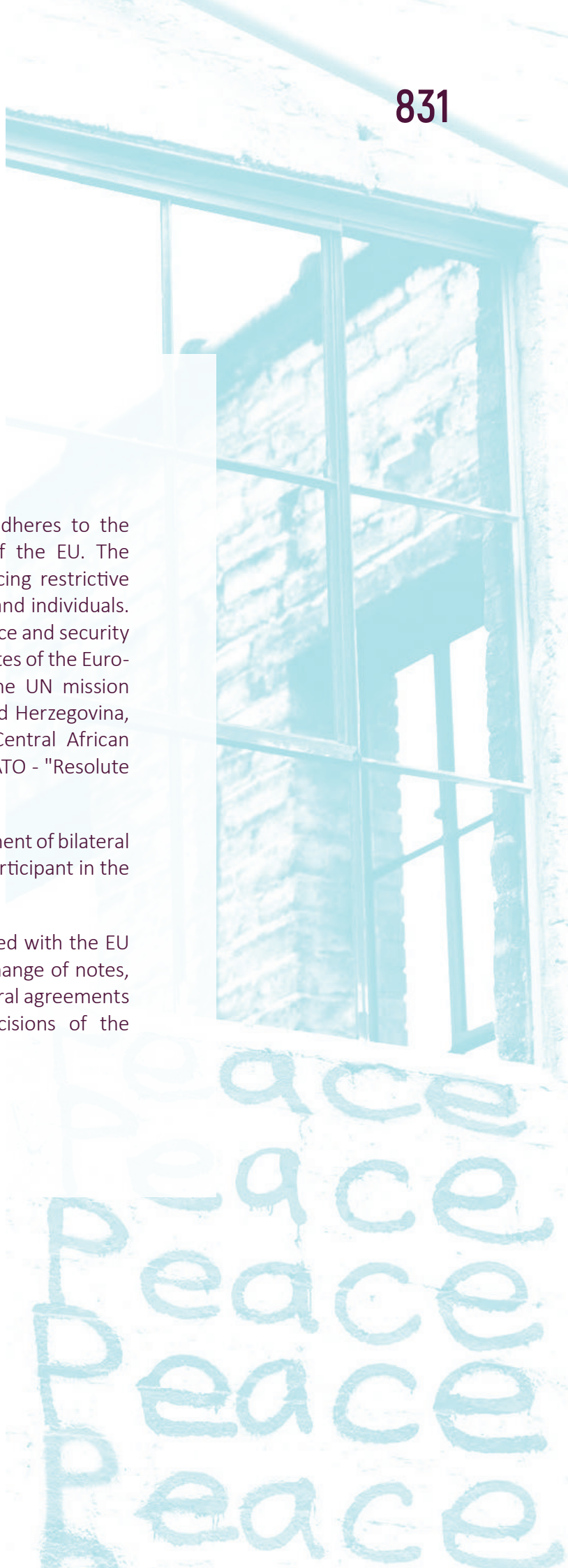
- ▶ continue to improve alignment with the EU common foreign and security policy.
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## SUMMARY

The Republic of North Macedonia continuously adheres to the declarations, statements and other documents of the EU. The country also adheres to Council decisions introducing restrictive measures and sanctions against countries, entities and individuals. The country expresses its commitment to global peace and security and sharing of the same values with the member states of the Euro-Atlantic Community through its contribution to the UN mission "UNIFIL" in Lebanon, the EU operation in Bosnia and Herzegovina, EUFOR "Althea", the EU training mission in the Central African Republic – EUTM RCA, as well as missions led by NATO - "Resolute Support" in Afghanistan and KFOR in Kosovo.

The country continues to contribute to the advancement of bilateral political dialogue with the EU and to be an active participant in the multilateral political dialogue with the EU.

The country's visa regime is continuously harmonised with the EU visa regime and it is implemented through the exchange of notes, signing of international agreements, signing of bilateral agreements and adoption of temporary and permanent decisions of the Government.





# COMMON FOREIGN AND SECURITY POLICY (CFSP)

## Current situation

At the invitation of the EU, the country regularly joins EU declarations, statements and other documents on various issues of its foreign policy, as well as Council decisions imposing restrictive measures against countries, entities and individuals. The country regularly and actively participates in the bilateral political dialogue with the EU in various formats and bodies.

The Council for Combating Money Laundering and Terrorism Financing has prepared a Report on the conducted risk assessment of money laundering and terrorism financing, which was adopted by the Government in March 2020. Based on the findings and conclusions of this Report, the Council prepares a National Strategy for Combating Money Laundering and Terrorism Financing. In addition, the Council coordinates the activities of the working group for risk assessment of terrorism financing of the non-profit organisations.

North Macedonia has concluded a total of 20 bilateral agreements and treaties for exchange and mutual protection of classified information with other countries, which have entered into force and are binding, of which 15 agreements have been concluded with EU member states. Activities for concluding bilateral agreements with Greece, Portugal, Norway and the United States are underway.

The country continued to contribute to the promotion of bilateral political dialogue with the EU and to be an active participant in the multilateral political dialogue with the EU. In 2020, the country continued to accept EU declarations, statements and legal acts in the field of CFSP.

The Law on Classified Information transposing the Council Decision of 23 September 2013 regarding the security rules for protection of EU classified information (CELEX 32013D0488) entered into force on 3 January 2020. Activities for harmonisation of the texts of the relevant bylaws and activities for positioning of the Directorate for Security of Classified Information in the national legislation related to cyber protection are in progress.

The Government submitted to the Assembly the new draft Law on Development, Production and Trade of Military Goods. The draft Law is partially harmonised with the Common Position of the Council 2003/468/CFSP of 23 June 2003 on the control of arms trade brokering in order to control the circulation of arms, to avoid bypassing the UN, EU or OSCE embargo on arms exports, as well as to implement the criteria set out in Council Common Position 2008/944/CFSP of 8 December 2008 defining common rules governing the control of exports of military technology and equipment, whereas certain articles of the Common Positions apply only to EU Member States.

A Commission has been established to review applications for obtaining a license for trade in military goods.

In order to comply with Implementing Regulation (EU) 2015/2403 of the Commission of 15 December 2015, establishing common guidelines on deactivation standards and techniques for ensuring that deactivated firearms are rendered irreversibly inoperable, as well as the amendment to the Regulation from 5 March 2018, a Rulebook is adopted on technical specifications for deactivation of firearms, the form and content of the format for labelling the deactivated weapon and the form and content of the format of the certificate for deactivation of firearms. The Rulebook was adopted and published in the Official Gazette No. 221 from 16 September 2020 and is in force since 17 September 2020.

## Short-term priorities

### Legal framework

The Ministry of Interior is preparing a draft of a new Law on Explosives for Civil Use. It will cover the two laws that are currently applied and are from the former Socialist Federal Republic of Yugoslavia (SFRY) – the Law on Protection of Explosive Substances and the Law on Trade in Explosive Substances. The text of the Law

will be harmonised with EU regulations on explosives for civilian use. This Law is planned to be adopted by the end of 2021.

In order to further align with the EU acquis, the legal framework for prevention of money laundering and terrorism financing is being harmonised in order to transpose the provisions of V Directive (2018/843), i.e., a new Law on Prevention of Money Laundering and Terrorism Financing is being prepared, including bylaws.

## Institutional framework

The activities for training of civil servants in the field of CFSP will continue. Priority will be given to the training of enforcement agents in charge of implementing international restrictive measures and arms control.

The Directorate for Security of Classified Information (DBKI) will continue to train the persons working with classified information, through cooperation with EU Member States and the use of the EC TAIEX instrument. At the same time, DBKI will continue with active participation in the regional initiatives for cooperation of the national security authorities of the countries of the former Yugoslavia (Forum 6C) and the countries of Southeast Europe (forum SEENSA).

It is planned to strengthen the Chemicals Sector with new recruitments, in order to improve the functionality in the implementation of the Convention and greater efficiency in the work.

Within the activities of the Ministry of Foreign Affairs, 10 base and 6 mobile stations were procured for the diplomatic and consular missions with a total value of EUR 160,000 – a project financed from the national Budget. It is planned to upgrade and connect the National Visa Information System NVIS with the integrated database for foreigners IBAS.

In terms of marking the border line with Greece, it is planned to install floats on Lake Prespa, in accordance with the Agreement on opening of a border crossing between the two countries in the region of Lake Prespa. It is also planned to open a local border crossing Lojane-Miratovac with Serbia.

The project for combating economic crime - Phase II<sup>127</sup> implements measures to promote democracy and the rule of law by preventing and controlling money laundering and terrorism financing in accordance with European and other international standards. The 36-month project is funded by the EU and the Council of Europe and is implemented by the Council of Europe. According to the established work plan, activities are envisaged for harmonisation of the legislation with the new international standards, for strengthening the analytical capacities, improvement of the supervisory capacities, as well as the capacities for implementation



of restrictive measures against terrorism financing and proliferation of weapons for mass destruction.

The project Prevention of Illegal Financial Flows (2019-2022), which is a German-Norwegian cooperation implemented by GIZ, which its main objective is to build capacities of the Financial Intelligence Unit and the National Bank for combating illegal financial flows. The project has three areas in which measures will be implemented for prevention, investigations and determination of illegally acquired property. The prevention measures should provide: improvement of the regulation by ensuring greater transparency about the ownership of legal entities (functioning of the Register of beneficial owners), account holders (establishment of a Register of account holders), determination of the exposure of non-profit organisations to the risks of money laundering and terrorism financing, strengthening the capacities of the entities, etc.

FIU is also a major beneficiary of the project funded by the Embassy of the Netherlands - "Strengthening the capacity of the Financial Intelligence Unit in North Macedonia", whose main objective is to improve the capacity of the FIU to effectively implement measures and actions to prevent money laundering and terrorism financing.

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[127 With implementation period 2019-2023](#)  
[128 Official Gazette No. 71/06](#)

## Medium-term priorities

### Legal framework

Amendments to Law Banning the Development, Production, Storage and Use of Chemical Weapons<sup>128</sup> are foreseen, by inserting provisions for control of chemicals which are in List I of the Convention on Prohibition of Chemical Weapons.

### Institutional framework

In terms of medium-term priorities of the Ministry of Foreign Affairs, it is planned to upgrade the National Visa Information System (NVIS), Third Generation, by 2023, financed through the national Budget; and opening of the border crossing with Greece Markova Noga - Lemos, financed through the EU with EUR 4.5 million, by the end of 2023.

In terms of long-term priorities of the Ministry of Foreign Affairs, it is planned to upgrade the National Visa Information System (NVIS) for taking and storing biometric data in the procedure for applying and issuing of visas, opening of international border crossing Lojane - Miratovac with Serbia by the end of 2025 and, on the basis of the signed agreement (2 April 2019 in Skopje), opening of a new border crossing with the Republic of Greece (Majden - Promahoi), which is an EU funded project.

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# COMMON SECURITY AND DEFENSE POLICY (CSDP)

## Current situation

By depositing the ratification document in Washington on 27 March 2020, the Republic of North Macedonia officially became the 30th member state of the North Atlantic Treaty Organisation (NATO), thus our country fulfilled a high priority of the strategic agenda in the field of foreign policy. In November 2020, the legal framework was finalised – the remaining treaties were ratified, including the two binding Agreements: 1) regarding the status of their forces (the London SOFA Agreement) of 19 June 1951; and 2) the Protocol on the Status of International Military Commands established by the North Atlantic Treaty (Paris Protocol) of 28 August 1958.

With the preparation of the Strategic Defence Review, a vision is provided for development of the future capacities and capabilities of the Ministry of Defence and the Army, in accordance with the standards of the Alliance. In March 2020, the President of the Republic of North Macedonia signed the **new Defence Strategy**. The Strategy sets ambitious but achievable goals - creating a modern and efficient defines system, a deployable, sustainable and interoperable Army, equipped with modern combat systems and trained in accordance with the standards of NATO member states. The Strategy also takes into account the need for a comprehensive approach, transparency, intensified cooperation and a common approach in dealing with contemporary threats, risks and challenges, which are hybrid in nature.

In order to connect the communication and information systems of the Republic of North Macedonia with NATO, the security accreditation of the System for exchange of classified information through NSWAN (NATO Secret Wide Area Network) to the level of Strictly Confidential (NATO SECRET) has been performed.

In 2021, the country continued its contribution to the EU operation in Bosnia and Herzegovina, EUFOR Althea, with 1 staff officer; in the UN mission "UNIFIL" in Lebanon with 3 staff officers; in the NATO-

led mission "Resolute Support" in Afghanistan, which we finished in June 2021; as well as support of the NATO KFOR mission in Kosovo, through the Coordination Centre for Support of KFOR Forces in Kosovo. Since 1 November 2020, the Republic of North Macedonia, for the first time as a full member of NATO, sent its contingent (44 people in total) to the NATO mission "KFOR" in Kosovo, and a strengthened and additional contribution is planned as well. In addition, for the first time, 2 staff members were referred to the EU Training Mission in the Central African Republic - EUTM RCA, in which the second rotation is taking place.

In order to support the Afghan authorities to take full responsibility for their security, starting in 2019, North Macedonia also contributes with EUR 200,000 (USD 225,000) annually to the Afghan National Army Trust Fund (ANA Trust Fund) and will continue to do so with the same annual contribution until 2022.

In June 2019, the country has joined the NATO Defence Planning Process (NDPP) for the first time. In September 2020, the Government adopted the first draft Capability Targets 2021, including deployable capabilities for NATO-led operations. According to the planned dynamics of the process, the joint consultations with NATO were held on 30-31 March 2021 and the multilateral consultations are scheduled for 13 July 2021.

At the invitation of the EU, the country continued to participate in the meetings of the EU Political Security Committee (EU PSC) with the candidate countries and the European NATO member states that are not members of the EU (EU+8), the meetings of the EU Military Committee (EC), in a VK format of EU+8, of the Committee of Contributors to Operation "Althea" and the EU Global Force Generation Conferences/sessions for "Althea" and "EUTM RCA", as well as Coordination Conferences for the battle groups of EU.

The "General Mihajlo Apostolski" military academy became an Associate Network Partner of the European Security and Defence College (ESDC) on 18 May 2020, when the application was accepted by the ESDC Steering Committee. The military academy has since taken an active part in most of the meetings organised by the ESDC Executive Academic Board, the Cyber Security Group and other working groups within the ESDC.

The Republic of North Macedonia has expressed readiness to participate in the EU battle group in the first half of 2023, EUBG 2023/1- HELBROC, led by Greece.

The country continuously and actively implements defines

cooperation at bilateral, regional and multilateral level, through participation in regional initiatives, the A-5 Adriatic Charter, the process of cooperation of the Ministers of Defence of Southeast Europe (SEDM) and the Multinational Brigade from South East Europe (SEEBRIG), the Balkan Medical Task Force (BMTF), the Framework Nations Concept - Italy-led Group (FNC ITA Grouping) and others. The country also participates in all regional initiatives that aim to improve security, share common capabilities and capacities for a more stable future of the citizens.

Starting from July 2020, the command of the Multinational Brigade of Southeast Europe (SEEBRIG) is stationed in our country, i.e., in the Kumanovo barracks "Boro Menkov". The SEEBRIG is the most significant and complex project in the Regional Initiative for Cooperation of the Ministers of Defence of Southeast Europe (SEDM), and the honour of hosting the command is given to us for the period until 2026.

North Macedonia is one of the initiators for construction of the Balkan Medical Task Force (BMTF), whose permanent organisation (headquarters) is based in Skopje. In the period from 2014 to 2020, the country chaired the Management Board of the BMTF. Starting from 2020 to 2022, North Macedonia has assumed the obligation of being a BMTF Framework Country from the Republic of Serbia, which means taking over the Command with BMTF and providing its own manoeuvre ground field hospital 2, as well as contribution mostly with staff and other equipment.

In October 2020, the Ministry of Defence decided to join the Framework Nations Concept - Italy-led Group (FNC ITA Grouping) in order to enhance the defence capabilities and contribute to collective security in the NATO and EU context.

The country continues to support the work of the US-Adriatic Charter as an important regional format for the development of political and security cooperation between the countries of the region and a joint response to crisis situations.

Since October 2020, the country, together with the other countries of the Western Balkans, participates as an observer in the Central European Defence Cooperation (CEDC) initiative, at the invitation of the Republic of Slovenia as its chair. The promotion of the EU cooperation with the countries of the Western Balkans, in the "CSDP format plus", is an opportunity for greater involvement of the region in the CSDP, i.e., regional cooperation that would aim to build capacity in the field of hybrid threats, cyber defence, fight against misinformation, improvement of strategic communications,

joint drills in the field of crisis management, joint courses and trainings in the CSDP context, joint efforts in medical evacuation in case of crisis, improvement of military mobility, etc., all based on the needs assessment of the partners in the region.

The Ministry of Defence has taken a leading role in coordinating the gender perspective and implementation of UN Security Council Resolution 1325. The Ministry of Defence is the competent institution for coordinating the process of preparation and implementation of the Second National Action Plan (NAP) of the country for implementation of the United Nations Resolution 1325 "Women, Peace and Security" (2020 - 2025). The second NAP for Resolution 1325 was developed through inclusive social integration, as well as with expert support provided by the United Kingdom. The second NAP for Resolution 1325 - Strategic Framework was adopted by the Government in July 2020. It is a five-year strategic plan for achieving true gender equality, integration and transparency at the national level, towards fulfilment of our international obligation to the Women, Peace and Security agenda, which completes the first stage of the process of drafting the Second NAP. The second stage has been completed - preparation of Operational Plans for implementation of the Second NAP (2020 - 2025) by the institutions at national and local level. The process of implementation of the Second NAP for Resolution 1325 started in January 2021 and will last until the end of 2025. The third stage will be followed by a process of coordination, monitoring and evaluation of the implementation of the Second NAP for Resolution 1325 in the period 2021 - 2025. For this purpose, the Ministry of Defence established a Body for coordination, monitoring and evaluation, which is the primary national operational mechanism for ensuring efficient and transparent implementation of the Second NAP.

The Republic of North Macedonia conducted a comprehensive process of assessing the capacity of institutions to deal with hybrid threats during 2019. The assessment was conducted by the working group for building resistance to hybrid threats and risks, in accordance with the guidelines and requirements of the European Union. The European Union External Action Service made recommendations for overcoming the identified weaknesses, which were adopted by the Government. According to the recommendations, a draft Strategy for building resilience and dealing with hybrid threats was prepared, which, using the principle of "comprehensive approach of the society" was reviewed at a public hearing by governmental and non-governmental organisations, the private sector and the academic community. The Strategy and the accompanying action plan are in a phase of approval by the Government of the Republic of North Macedonia..

## Short-term priorities

The Republic of North Macedonia is committed to share the burden with the member countries of the Alliance. In that direction is the commitment to reach 2% of GDP defence spending by 2024, as well as investing 20% of the defence budget for equipment and modernisation, starting from 2021. The focus is on equipping the ground forces and the capabilities declared for NATO and the EU. In 2021, the contribution to the EU operation in Bosnia and Herzegovina, EUFOR "Althea", will continue with 1 staff officer, as well as the participation with 2 staff members in the EU training mission in the Central African Republic - EUTM RCA.

The participation in the coordination conferences for the EU combat groups will continue, as well as the participation in the EU drill MILEX, at the invitation of the EU (we participated in the MILEX 1 drill as observer, with 2 persons).

In order to build administrative capacity, the country will continue to participate with its representatives in trainings in the field of CFSP and CSDP in accordance with the needs and possibilities. The promotion of the cooperation in the field of CSDP through multilateral and regional initiatives and through bilateral cooperation with the EU member states will continue.

The US-Adriatic Charter countries will continue to work together to implement projects in the spirit of the NATO Smart Defence concept in the field of equipment and modernisation, joint education and training, joint contribution to international operations and other joint regional projects.

The Republic of North Macedonia will continue to monitor the process and challenges in international operations and peace support missions, and in accordance with the capacities and capabilities defined in the medium-term plan for participation in operations and missions and the allocated budget, will increase its participation in NATO-led operations and missions.

In order to share the same values and challenges with the NATO member countries, within the NATO Defence Planning Process (NDPP), the country has been awarded with Capability Targets, including a surgical team (six medical staff) with a high level of readiness. The surgical team was deployed in NATO Operation "Resolute Support" in Kabul, IR Afghanistan, from March to June 2021, within the ROLE2 field hospital of the Kingdom of Norway.



During 2021, we will significantly increase our contribution to the KFOR NATO operation in Kosovo. In this context, starting from May, our contribution to this operation is 44 persons and we will further increase our contribution with 21 additional persons in August.

As part of the NATO mission in Iraq, in 2021 we plan to make a contribution with 4 persons (2 military and 2 civilian persons) which should be deployed by the end of the year.

The Ministry of Defence and the General Staff of the Army continue to monitor the situation in the deployment zone of NATO forces in order to secure the eastern and south-eastern borders of the Alliance - Increased presence in the Baltic region, and in that context consultations and coordination with the allies on deployment of staff will continue during 2021.

The country, within the planned dynamics of the NATO Defence Planning Process - NDPP, and in accordance with the available capabilities and capacities, received the first Capability Targets in 2021.

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## Medium-term priorities

In order to advance and strengthen the existing cooperation with the EU, according to its capabilities and capacities, the country will consider the possibility of further increasing its participation in international missions led by the EU in the coming period, while for the first half of 2023 intention was expressed to contribute in the EU-led combat group HELBROC, led by Greece (EUBG 2023-1).

In order to enhance and strengthen existing cooperation with NATO, the country plans to increase its participation in NATO-led international drills and missions in accordance with its commitments and available capabilities.

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