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FORMER YUGOSLAV REPUBLIC OF MACEDONIA,
MONTHLY PRE-ACCESSION REPORT

May/June 2010

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The contributors to the report are:

Elvis Ali (EA), Teodora Andreeva (TA), Ruzica Andronikova (RAA), Alessandro Angius (ALA), John Barker (JBA), Emilija Belogaska (EB), Maja Bogdanovska Zendelska (MBZ), Jane Bojadziev (JB), Tanja Bundalevska (TB), Elisabeta Georgieva (EGE), Edina Halapi (EH), Islam Jusufi (IJ), Manuela Manolis (MMA), Marina Kurte (MAK), Dimitar Malinovski (DM), Nafi Saracini (NS), Magdalena Sarlamanov (MS), Daniel Alexander Schroth (DAS), Raluca Stefanuc (RST), Marianne Todorova (MT); Petra Andersson Erhardy (PAE) – EUSR; Editor: Patrick Paquet.

Criteria for membership

1. Political criteria

POLITICAL DEVELOPMENTS (PAE)

*** Political situation**

VMRO-DPMNE Celebration

VMRO-DPMNE organised a rally on 15 June to commemorate its 20th Anniversary. Estimated number of attendees ranged from 4,000-12,000 and most were bussed in from the other cities during the day. PM Gruevski focused in his speech on the economic achievements of the party in 2006-2008, prior to the world financial crisis, and underlining the popular rather than elite focus of the VMRO-DPMNE. He was also fiercely critical of SDSM, the largest party in opposition, accusing its party leader Branko Crvenkovski of mismanaging the privatization process and the economic crisis of the early 90s, as well as of not resolving the name issue. PM Gruevski reiterated his commitment to the EU-integration related reform process, as well as to a solution to the name issue, while also underlining that a compromise solution must not undermine the national interest and be put to a vote in a referendum. A letter from the European People's Party (EPP) was read before the speech as well as letters from individual affiliated parties in Europe.

Analysis: In contrast to a previous party rally, at the VMRO-DPMNE youth forum in May, PM Gruevski, used a more carefully worded discourse on EU integration and the name negotiations, while retaining a personal and fiercely critical rhetoric on the SDSM leader. In his speech, PM Gruevski made no reference to the coalition partners, the Ohrid Framework Agreement or inter-ethnic relations. However, the rally was attended by all government Ministers, including those belonging to coalition parties, as well as by two DUI MPs. Gruevski did not receive the usual enthusiastic feedback from the crowd, which began leaving before the speech ended.

SDSM rally

On 27 June, SDSM, the largest party in opposition, held a rally in front of the government. Estimated number of attendees range between 8,000 and 40,000, depending on the source, although it is generally admitted that the numbers at the SDSM rally were at least double of those at the VMRO-DPMNE rally. Also in this case, attendees were mostly bussed in to Skopje from other cities around the country. SDSM president Branko Crvenkovski's speech focused on poor management of public finances, lack of foreign investment, destroyed health and education systems, and expensive state funded PR campaigns. Crvenkovski criticised what he deems a weakened EU/NATO perspective under Gruevski's rule and weak leadership on the name issue, however, he was carefully avoiding a clear stance on the name issue. In a concluding remark, Crvenkovski demanded that the Parliament be dissolved in November regardless of the outcome from the NATO Summit and the name negotiations: "We are starting the battle for early elections," he stated.

Analysis: Crvenkovski referred to the multi-ethnic support from all communities in the country, and ethnic Turks and ethnic Serbs attending the rally and mentioned the Ohrid Framework Agreement. However, no ethnic Albanian public figures attended the rally.

Failed attempt to agree on Parliamentary Rules of Procedure ((for background see 23 April update)

The Speaker of the Parliament Trajko Veljanovski announced on 28 June the completion of the procedure for adopting of the amendments to the Parliamentary Rules of Procedure, to be finalised by 15 July. Two coordination meetings were organised to discuss the matter, but the second meeting between the Speaker and party coordinators on 30 June failed to reach an agreement, resulting in mutual recriminations between the ruling party VMRO-DPMNE and the main opposition party SDSM. In the meeting, the SDSM, in addition to the Rules of Procedure, appealed for debate on the audit reports and the control of public spending.

Ethnic Albanian civil society organizations stage protest

On 10 May, some ethnic Albanian civil society organisations organised a protest march with approximately two thousand participants under the banner 'For justice'. The Council of Albanian CSOs demanded an immediate cessation of the processing of the returned ICTY case files through the domestic courts as well as acquittal of those convicted in the Brodec and Sopot cases. It also urged an end to ethnically or religiously biased projects. Among the ethnic Albanian political parties, the protest was supported by New Democracy only, while DPA remained neutral. DUI said it would not support the protest, expressing fear that it would be hijacked by "extreme elements". The protest took place amid a large police presence.

Analysis: While the demonstration was conducted peacefully, the participants shouted slogans such as 'UÇK' 'ethnic Albania', and 'liberation of political prisoners'.

Update on the "Sopot case" (for background see April Report)

On 2 May, the Sopot prisoners ended their hunger strike. On 5 May, the Parliament's Secretary General sent the report of the Sopot working group adopted by the Parliament's Human Rights Committee to the Supreme Court, the office of the Public Prosecutor, the Ministry of Justice, Ministry of Internal Affairs and the Ombudsman. On 23 June, the Kumanovo Basic Court decided to request the re-trial of four of the eleven "Sopot" convicts. Pending the new trial, the defense lawyer of the convicts has also requested that the convicts are to be released on bail from prison, which was appealed by the prosecutor. Instead, the convicts will be placed in house arrest. In the meantime, the Court of Appeal is expected to return to the case of the remaining seven convicts in the Skopje Basic Court. This development seems independent from the on-going review by the Supreme Court of the conclusions of the parliamentary Committee on Human Rights, claiming a key witness in the Sopot case was abused.

*** Security situation**

Shooting-incident and recovery of an arms cache

On 28 April, a shooting incident took place near Blace, close to the Kosovo border. Police exchanged fire with a group of 12 black-clad men, who managed to cross the border into Kosovo. KFOR intensified their patrols and air scans in that area. Three individuals were reportedly arrested on the Kosovo side, one of whom was injured and transported to a local hospital from where he later escaped. The Ministry of Interior recovered a large amount of weapons and explosives at the site where the group had been hiding. International military experts, invited to inspect the site, have assessed most weaponry to be from the late 90's, although some appeared new, including materials intended for roadside bombs.

Media reports suggest that Kosovo police on the 29 April arrested seven people suspected of involvement in arms trafficking in the village of Begrac, where also an unspecified amount of weaponry and military uniforms were discovered. It is not known whether the two operations were connected. The incident coincided with the phasing out of KFOR's presence along the Kosovo southern border and the handing over of responsibility for border monitoring to the Kosovo police authorities.

On 10 May, the Parliament in Skopje ratified a bilateral agreement already ratified by Kosovo to enhance police cooperation in order to combat organised cross-border crime. On the 14 May, Minister of Interior (MoI) Gordana Jankulovska (VMRO-DPMNE) received her Kosovo counterpart Bajram Rexhepi (PDK) in Skopje where they reviewed latest developments.

Shootout near Raduša north of Skopje and another weapons seizure in the Tetovo region

In the early hours of 12 May a shootout occurred when police tried to stop a van around the villages of Rasce and Raduša, 15 km north of Skopje. Police had received intelligence about the transport of illegal weaponry. Instead of stopping, the passengers of the van allegedly opened fire, which was returned by the police. The four passengers of the van were killed, with no casualties among the police. Three of the deceased have been identified as citizens of this country and one as a Kosovo citizen. Three out of four had a heavy criminal record, one of them Harun Aliu, a prominent former Kosovo Liberation Army fighter, and sentenced to life in prison in absentia for the murder of a police officer in 2008. Aliu was also the head of a non-parliamentary minor ethnic Albanian party "National Alternative". A large amount of weaponry was found in the van, as well as soldiers' boots and NLA/UÇK emblems.

In the evening of the 13 May, police raided a house in Zhelino (Tetove region) in search of weapons. Four individuals were detained, two of whom were released the same day. The MoI Spokesman reported that the detainee was suspected of involvement in weapons trafficking and a large cache of arms had been found on his property.

Analysis: A strict line has to be drawn between legitimate police operations to combat criminal activity along the border and legitimate grievances by the ethnic Albanian community in the country. After Blace, DUI, DPA and importantly also politicians from Kosovo publicly spoke out against the use of violence. Notwithstanding these steps, DPA and smaller ethnic Albanian parties have chosen to portray the Raduša incident as

"murder of Albanians". The funeral of Harun Aliu took place in Aracinovo on the 13 May and was attended by over 1000 people, including by New Democracy and some DUI MPs (Safet Neziri, Femi Jonuzi) which could signal a rift within DUI. Fazli Veliu, Ali Ahmeti's uncle and head of one of the war veteran organisations also attended the event.

ATTITUDES TOWARDS THE EU (JB)

The period covered by this report did not bring substantial changes in the public perception of the EU. However, apart from being marked by **daily appeals from EU representatives for resolving the name issue**, this period also brought a wave of, occasionally strong, **statements from the state leadership that EU membership should not be made conditional on changes in the name and identity**. These declarations were backed by an opinion poll that showed an unfavourable public mood for settling the dispute. This state of play made unnamed diplomats in Brussels express concern over the 'growing populism' of the government and remind the PM that had the EU leaders based their decisions on the public's mood, the decisions on financial support and further enlargement might have been unpleasant for Skopje.

In May, **Commissioner Füle and MEPs Chatzimarkakis and Thaler issued a joint article** in which they stated that the resolution of the name dispute would be to the benefit of all parties, and that in the case of the country, it would do more for the trust of the foreign investors in one day than the advertisements would do in years. The article came a few days after the most influential daily in Skopje (*Dnevnik*) had published an opinion poll that showed that the majority of the respondents believed that Skopje should leave the UN-mediated negotiations, and after MEP Thaler had stirred the tempers in Skopje by saying bluntly that Brussels was becoming suspicious of the sincerity of the government's intention to bring the country into the EU, fearing that it was using the name issue as an alibi for pursuing a different agenda.

The article of Messrs Füle, Chatzimarkakis and Thaler triggered **different reactions** in the most influential media outlets. *Dnevnik* commented that it represented 'the most direct warning ever issued' to Skopje's leadership, in response to their 'some-things-are-resolved-best-by-not-being-resolved-at-all' policy. According to the daily, the government's 'ideology of victim' will bring no solutions, but it will represent 'escapism', i.e. avoidance of responsibility. *Utrinski Vesnik* stressed that 'real statesmen swim against the stream' and receive acclaim after some period of time, while 'politicians-surfers end up in dirty shallow waters and are forgotten in a while'. *AI TV* conveyed a warning from an unnamed EU diplomat that the Union might decide to withdraw its financial and human resources from the country if it no longer treats EU membership as a matter of priority. Pro-government daily *Večer* sharply criticised Mr Thaler for 'daring' to reprimand citizens for their intention to protect their name, while not mentioning the lack of mechanisms on the part of the EU to prevent Greece 'from breaching international law and from ridiculing the European democracy'. In his popular editorial, the editor-in-chief of *Vest* Goran Mihajlovski stated that he was one of the 90% of citizens who supported the country's integration into NATO and the EU, while also being one of those 51% that are against the country becoming an 'unequal' EU member. He wondered why this logical position ('joining the union of equal nations as an equal

citizen') had become a 'subject of psychoanalysis by foreign bureaucrats and domestic media experts'.

The second half of June saw more moderate statements on the side of local politicians, as well as official and unofficial announcements from **EU diplomats** that **the name issue might be resolved in 'a few months if not weeks'**. These statements reflected the optimism previously generated by the frequent contacts between Skopje and Athens at the level of PMs, but they proved unrealistic as there was still no solution to the longstanding dispute in sight.

Without giving it much prominence, the media covered the conclusions from the **Sarajevo meeting**, stressing that the EU had once again (this time at a 'bona fide meeting') reaffirmed its open door-policy for the Western Balkan countries.

The latest **opinion poll** conducted by the Skopje-based Pavel Šatev Institute (close to VMRO-DPMNE) confirmed that the vast majority of citizens remain committed to the country's membership in the EU and NATO (82.4% and 81.8% respectively).

1.1. Democracy and the rule of law

PRESIDENT OF THE REPUBLIC (MAK)

President met with leaders of main political parties

On 15 May President Ivanov met with the leaders of VMRO-DPMNE, DUI and SDSM attempting to facilitate political dialogue. The main topics of the discussion were the name issue and the security situation following police actions for confiscation of weapons (see: security situation). The ethnic Albanian DPA and New Democracy did not participate in the meeting, the latter making it conditional on including inter-ethnic issues such as 'Skopje 2014' project.

Analysis: While the initiative of the President to re-establish the political dialogue is positive, its failure to bring together all the leaders of the main political parties confirms his low level of influence over the politicians, but also the persisting division along ethnic lines.

Ambassadorial appointments and dismissals

The President of the Republic extended the mandates of the Ambassador to India to cover Indonesia, and the Ambassador to China to cover People's Republic of Korea, Vietnam, and Mongolia. The Ambassadors to Germany, and Greece were dismissed without appointing new ones.

PARLIAMENT (MAK)

No move with amendments to Parliament rulebook and coordination meetings

While the opposition continued suspending their participation in the coordination meetings, two meetings between the Speaker and the coordinators were held at the end of June attempting to reach a consensus on the amendments to the rulebook. Yet, they yielded no results as SDSM further to their request of including monthly one point of the

opposition on the agenda of the plenary session, insisted on discussing in the same package mandatory plenary sessions on all reports from the State Audit Office, and on 'Skopje 2014' project, which VMRO-DPMNE took as an ultimatum. The two biggest parties in subsequent press statements exchanged mutual blame for the failure in reaching consensus.

Analysis: Despite the recent signs of willingness on both sides (encouraged by the international community) to come to a consensus over the amendments to the rulebook, the recent developments actually point to the absence of real willingness to compromise and restore the political dialogue prior to the meeting of the Stabilisation and Association Council.

Number of women MPs increased

Ms Irotova-Lazareva of VMRO-DPMNE was sworn into office on 15 June replacing MP Derkovski who was appointed as an Ambassador to Canada. With this appointment the number of women MPs with 41 among 120 MPs has increased to the highest ever.

Legislative work of Parliament

The legislative work kept its regular pace being somewhat burdened with additional amendments to recently amended laws. During June most of the parliamentary bodies dealt with the supplement to the state budget.

Analysis: Frequent successive amendments to the same laws bring into question the government policies in many sectors, but also question the overall quality of the legislative process.

Aborted initiative for amending the Electoral Code

The ruling coalition did not support the SDSM amendments to the Electoral Code introducing guaranteed seat for smaller minorities. VMRO-DPMNE questioned the sincerity of SDSM intention as they had not supported similar initiative by VMRO-DPMNE three years ago. DUI conditioned their support to the proposal that it would not affect the application of the Badinter principle.

Analysis: The debate over these SDSM amendments was one of their very few accepted initiatives. The parties of smaller communities in the coalition did not show any diverging view from VMRO-DPMNE thus weakening further any serious prospect for strengthening the rights of the smaller communities.

Activities of National Council for EU Integration and Committee on European Affairs

The National Council for EU Integration (NCEI) on 25 June debated the prospects of country's EU integration after the Council summit of 17 June. The Deputy Prime Minister for EU Integration, the Minister of Foreign Affairs and the Spanish Ambassador, were present together with 13 out of 19 NCEI members or the highest attendance lately. The interventions varied between the unsatisfactory pace of reforms (argument by opposition MPs), and the name issue as the only stumbling block for the country's Euro-Atlantic integration, presented by the two ministers, VMRO-DPMNE MPs and the representative from the Cabinet of the President of the Republic. The ethnic Albanian MPs urged for the solution of the name issue, while New Democracy added

the need to develop the consensual democracy and fully implement the Ohrid Framework Agreement. Nearly all participants underlined the importance of achieving further progress with the reforms before the next meeting of the Stabilisation and Association Council scheduled for 20 July.

The NCEI members met with Mr Lidington, the UK Minister for Europe on 23 June, while, together with the committees on European affairs and on foreign policy, and the delegation to the Joint Parliamentary Committee, they met with the Czech President Klaus on 21 June.

The Committee for European Affairs (CEA) held four sessions on EU flagged draft laws, one public hearing on role of CSOs in the EU integration process, and had meeting with the Italian Minister of European Policy.

Analysis: The NCEI members and Government representatives improved the record of their presence and participation in the NCEI activities. It remains to be seen if the same attitude will be maintained over the next sessions. The CEA pursues a satisfactory record of activities, and the MPs, members of other bodies dealing with EU integration, keep a good record of attendance.

Motion of no confidence against DPM for EU Integration was rejected

Majority of the MPs rejected on 14 June the motion for vote of no-confidence in DPM for EU integration Naumovski submitted by the LDP and New Democracy. During a fierce debate of nearly ten hours the DPM Naumovski spoke only once putting the whole blame for failures on the opposition and the blockade due to the name issue.

Parliamentary Institute

The Memorandum for Understanding, defining the framework of the Swiss Assistance to the establishment and development of the Parliamentary Institute, was signed on 17 May between the Swiss Federal Council and the Parliament. The MoU allowed for full engagement of the donor and the implementing partners NDI and the locally based Institute for Parliamentary Democracy in organising the support activities. In June the Speaker and the party coordinators visited Switzerland and reiterated their appreciation for the support received.

Analysis: The envisaged support shall allow in the coming period for a proper start and functioning of the Parliamentary Institute, which according to the 2009 law on parliament, is to provide research and analytical services to the MPs.

GOVERNMENT

No developments to report.

DECENTRALISATION

No developments to report.

PUBLIC ADMINISTRATION REFORM (RAA/EA)

Supplement of the 2010 state budget - allocations for public administration reform (EA)

The supplement to the budget has severely reduced funds in the area of public administration reform, notably for civil servants training. The funds allocated for the latter in comparison to the 2009 budget have been severely reduced by 65%. The funds allocated to the Civil Servants Agency are reduced by 80% in comparison to 2009. Additionally 16,000 euros has been allocated for refurbishment and equipment of the civil servant training centre. The allocations for temporary employments have been decreased by 20% in comparison with the initial 2010 budget.

Analysis: These cuts put in danger the quality and quantity of the civil servants annual training plans. The state administrative bodies will not be able to deliver their annual training plan with only 230,000 euros. Only 20,000 euros are allocated to the Civil Servants Agency to deliver civil servants general training. The amount allocated for refurbishment and equipment of the civil servants training centre is far from adequate. The implementation of IPA project supporting the civil servants training system is also jeopardised. It is to be noted that according to the Strategy for civil servants training the minimum amount to be allocated for financing training should be not less than 0.5% from the salary mass for all civil servants. The present amounts are far below this threshold.

The government only started in 2010 presenting the funds dedicated to temporary staff in a separate budget line. Hence comparison with the 2009 allocations is not feasible. About 13.5 MEURO are allocated for this purpose. The government announced that temporary staff will be hired as civil servants in accordance with the relevant recruitment procedures. The limited decrease in the allocations seems to go against this intention.

Supplement of the 2010 state budget - allocations for implementation of the Roma strategy (EA)

In comparison to the budget in 2009, there is an 85% increase of funds for the Roma strategy. The increase of about 180.000 euros is intended for scholarships for Roma students and small sewage/water projects in the Roma settlements. The total available funds for 2010 are about 466,000 euros which are distributed in the budget lines of the Ministry of Transport, the Ministry of Labour and Social Policy, the Ministry of Education and Science, the Ministry of Culture and the Ministry of Health.

Analysis: Even though the allocations for the Roma strategy have considerably increased, it does not mean that they will allow a better implementation of the measures stated under the Roma Strategy. The state administrative bodies requested more funds in order to cover the measures under the adopted action plans. As an example, Ministries of Health and Culture did not receive additional funds; In addition, the present funds will only cover the basic needs of the few ongoing projects.

Supplement of the 2010 state budget and the salaries in the public administration (EA)

The government adopted the following measures which are taken into account in the 1st supplement 2010 state budget:

- There will be no increase of salaries Until September 2012.
- The per diems for travel in country are cancelled, whilst the per diems for out of country are decreased by 30% by the end of 2011.
- Until end of 2011, the Ministers and their deputies renounce to per diems for travelling out of country. The government invited other appointed officials, i.e directors of institutions to follow this practice.
- Working group will be established to prepare analysis on which independent state administrative bodies such as centres, agencies, directorates etc, can be transformed as sectors in the existing ministries.
- The limits on the costs for usage of mobile phones will be further decreased by 30% until the end of 2011. The government will introduce limits on the costs for the usage of the fixed phones.
- Until 2011, there will be 10% decrease in the Prime Minister's, and all appointed official's salaries.
- The fees for participating in executive boards, management boards etc will be decreased by 30%.
- There will be no 13th salary nor bonuses paid by Public companies.

Implementing legislation on e-government (RAA)

See Chapter 10 – Information society and media

OMBUDSMAN

No developments to report.

CONSTITUTIONAL COURT

No developments to report.

ANTI-CORRUPTION POLICY (RST)

Annual assessment of the state anti-corruption programme

The State Commission for Prevention of Corruption (SCPC) held its annual conference on the state of implementation of the State Programme for Prevention and Repression of Corruption. On this occasion, The SCPC presented an overall assessment of the last three years of implementation, since the programme was adopted in May 2007 and will reach its term in mid 2011. The assessment showed that 54% of the activities were fully achieved, 19% have been partially fulfilled, 24% were not fulfilled and for 3% no information was provided by the reporting institutions.

The areas where SCPC signalled less progress concern the political system, the Assembly and the political parties, as well as public administration and local self government. Thus, among the non-fulfilled activities in these areas the SCPC report mentions: the adoption of the code of ethics for MPs; the amendments to the Electoral Code; ensuring greater independence of the Ombudsman; introduction of an internal

evaluation of the quality of public administration services; adoption of a code of ethics for public servants, etc. The SCPC identified as main shortcomings in the implementation process the lack of accountability for the fulfilment of certain activities for which a larger number of institutions are in charge, insufficient political and institutional will, as well as unclear formulation of certain activities.

The SCPC also presented in the framework of the annual conference the preliminary ideas for the drafting of the follow-up anti-corruption programme. The work for the new programme is planned to start in September 2010 and to be finalised around May 2011. A working group will be set up which will first assess the state of implementation of the current state programme and subsequently will define the objectives and directives of a new 2011-2015 programme.

Considering the upcoming activities of the SCPC regarding the coordination of the drafting process of the new anti-corruption programme, mention should be made that in the draft 2010 budget rebalance the SCPC's budget is cut by 19%. The decrease comes mainly in the area of salaries and other benefits (16%, mainly due to a 30% decrease in the operational cost/employee) and goods and services (23%). As regards the SCPC technical staff, the draft budget revision provides for only two additional posts as compared to 2009 and the initial budget of 2010.

Analysis: According to the SCPC the overall implementation rate of the activities of the state anti-corruption programme increased from 39% in mid 2009 to 54% in mid 2010. The level of responsiveness from the reporting institutions remained at the same level as last year, showing a fairly good participation of the reporting institutions in the monitoring process (i.e. only 3 % of the activities could not have been assessed due to lack of information submitted by the institutions). The annual conference was attended as last year by a high number of relevant institutions involved in the implementation of the anti-corruption policies: e.g. Public Revenue Office, Sector for Internal Control and Professional Standards within the Ministry of Interior, Public Prosecutor's Office, Judicial Council, etc. NGOs and representatives of journalists' associations were also present. Mention should be also made that this year's conference was organised with the support of UNDP, as compared to the previous year when the conference was organised exclusively by SCPC.

As in the previous year, the SCPC report continued to focus on the quantitative assessment rather than on a qualitative one. The analysis failed to follow the dynamics of the implementation process and remained limited to the text of the activities formulated in the state anti-corruption programme without emphasising some visible shortcomings like: the lack of implementation of the legal framework for financing of political parties or deficiencies in the declaration of interest checks system.

As regards the 19% budget cuts reflected by the 2010 draft budget rebalance, these come in a moment when SCPC would have needed an increased capacity to coordinate the drafting of a new anti-corruption programme and to deal with its enhanced competences in the area of prevention of conflict of interest, but also in areas like: asset declarations, financing of political parties, etc.

Tensions between the president of the State Commission for Prevention of Corruption and the directors of the Anti-Money Laundering Office and Customs Administration

The State Commission for Prevention of Corruption (SCPC) submitted to the Government a request for the dismissal of the director of the Office for Prevention of Money Laundering and Financing of Terrorism (OPMLFT), Vane Cvetanov, on the grounds of enabling illegal employment of staff (i.e. employment of staff without prior approval of the Ministry of Finance as requested by the law). The director claims that the employments were carried out in accordance with the law on civil servants and with prior approval of the Ministry of Finance and that the SCPC does not consider the latest documentation put at their disposal by the OPMLFT. The dispute between the president of the SCPC and the director of the OPMLFT has been highly mediatised.

Also, the SCPC established a case of conflict of interest for the director of Customs Administration, Vanco Kargov, who served as a member of the Government's committee for determining the prices for medication, and urged him to resign from one of the two positions. The director of the Customs Administration decided to resign from his post as advisor in the committee on medication prices. However, he stated that the SCPC reached a decision without requesting an opinion or explanation regarding his two posts. Mr. Kargov also mentioned that the committee for determining medication prices set up by the Government has only an advisory role and issues non-binding decisions. The tensions between the president of the SCPC and the director of the Customs Administration have also been highly mediatised. In addition to the conflict of interest claim, the president of the SCPC made also some generic statements regarding the areas where corruption is of highest concern, mentioning customs among those. The statement generated strong reactions from the director of Customs Administration, who expressed his concern on the SCPC unfounded statements and requested the latter to present publicly the assessment criteria applied by the SCPC.

Analysis: The tensions between the president of the SCPC, Ilmi Selami, and the two directors of the OPMLFT and Customs Administration, Vane Cvetanov and Vanco Kargov respectively, come shortly after the election of Mr. Selami as president of SCPC, after three consecutive mandates of Ms. Mirjana Dimovska. The new president was well received by both the NGO sector and the international community, promising a more pro-active approach. One must say, however, that in the three months that have passed since his election, no significant impact was noted as compared to the expectations raised: e.g. the SCPC annual assessment of the state anti-corruption programme followed the same quantitative approach as in the previous years (see also the analysis above on this topic); the SCPC has still no spokesperson and has shown little results in improving the relation with the media; the deficiencies in the implementation of the asset declarations and of the declarations of interest have not been addressed; no reaction was shown to signal the lack of implementation of the law on financing of political parties, etc.

In the light of the above, the tensions between the SCPC president and the leadership of two of the most active and result-oriented institutions in the field of anti-corruption policies reveal even more the lack of a coherent approach from the SCPC in dealing with its tasks. It is undeniable that any conflict of interest and breach of the anti-

corruption provisions should be publicly denounced and acted upon by the SCPC, irrespective of the institutions and officials involved. However, in the cases mentioned above, both directors have complained about the lack of openness from the SCPC to consider their counter-arguments and to perform a thorough analysis of the latest documents put at their disposal. This led to a number of media confrontations among these actors which replaced the regular inter-institutional cooperation and transformed their formal communication channels into a divisive political debate. This shows even more that the inter-agency cooperation is not functioning properly (notably as regards two institutions which have been consistently assessed positively) and that the SCPC is still not making progress with regard to the professionalization of its structures and its working methodology.

The State Commission for Prevention of Corruption announced its intention to initiate misdemeanour proceedings for non-submittal of declarations of interest

The State Commission for Prevention of Corruption (SCPC) announced its intention to file misdemeanour charges against the elected and appointed officials who did not submit the declarations of interest within the deadline.

Analysis: According to the law on conflict of interest as amended in September 2009, the deadline for submission of declarations of interest for the officials holding office at the date of the entry into force of the amendments was 7 March 2010. For the officials who took over their position after the entry into force of the amendments the deadline for submission is of 30 days from the beginning of the mandate (see also March 2010 PAR). On 7 March 2010 only 1,708 elected and appointed officials (i.e. approximately 50%) submitted their declarations of interest. The SCPC can initiate misdemeanour procedures for non-submittal of the declarations, the applicable sanctions ranging from 1,000 to 3,000 EUR fine. It is only in June 2010 that the SCPC announced its intention to initiate misdemeanour procedures against those who did not submit the declarations. Mention should be made that the declarations of interest of elected and appointed officials are submitted to the SCPC, while for the other officials they are submitted to their employer. The declarations of interest are confidential and no system for checks on substance for any category of officials is yet in place.

Two judges from the Criminal Law Section of the Skopje Court of Appeal dismissed on disciplinary grounds

The disciplinary committee within the Judicial Council decided on the dismissal of judges Violeta Duma and Vlado Dzilvidziev from the Criminal Law Section of the Skopje Court of Appeal, following a disciplinary procedure for lack of performance in their work. The disciplinary procedure was initiated by the minister of justice against judge Duma for the decisions taken on the administration of evidence in a particular case and then extended by the disciplinary committee to the other four judges who were part of the panel in the case in question. The two dismissed judges submitted an appeal against the decision. The procedures for the other three judges were stopped. See also the corresponding section on the judiciary.

Analysis: The decision of the disciplinary committee within the Judicial Council to dismiss the two judges for a decision taken in a particular case in the administration of evidence raises serious concerns about the independence of the judiciary, its vulnerability to political influence and the actual limits of applying disciplinary

measures. In spite of the suspended judges' request to have the NGOs and the media present at their hearing, the Judicial Council denied any access to the public. The situation is even more worrying since the Criminal Law Section of the Skopje Court of Appeal has only 9 judges (5 of whom were suspended during disciplinary procedures). The capacity of this section which deals at appeal level with corruption and organised crime cases was already low. It is clear that the section cannot properly function with 4 judges (since panels are formed of 5 judges), and even more when judges from other sections might be reluctant to join the criminal law section considering the precedent of the disciplinary cases. Mention should be made that judge Duma chaired the judges' panel in the cases Bučkovski and Snake Eye.

Verdict upheld by the Court of Appeal against the former director of the Public Revenue Office

The Skopje Court of Appeal upheld the first instance verdict against the former director of the Public Revenue Office who was condemned in February 2008 to 3 years imprisonment for abuse of office. The decision confirmed in appeal can be challenged in the Supreme Court. The defendant had been found guilty of fraudulent exercise of her authority (i.e. non-observance of the legal procedures and breach of a Government Decision), while conducting a tender procedure for the Public Revenue Office during 2005–2006 allegedly causing damage to the state budget amounting to approximately 570,000 EUR. The Basic Court Skopje 1 had also ordered the defendant to compensate the damage to the state in the above-mentioned estimated amount.

The verdict of the first instance court was first confirmed by the Court of Appeal in August 2008, then overturned by the Supreme Court in February 2010 and returned to the Court of Appeal. See also February 2010 PAR.

Analysis: *The case of the former director of the Public Revenue Office which was returned by the Supreme Court to the Court of Appeal in February 2010 was one of the five corruption and organised crime cases overturned within only five months by either the Skopje Court of Appeal or by the Supreme Court. In the reasoning of the judgement taken in February 2010, the Supreme Court judges concluded that the decision on the initiation of the procurement procedure (i.e. the purchase of business premises for large taxpayers) for which abuse of office charges were brought against the defendant was part of the 2005 Government's strategy for economic reforms and could not be imputable to the former PRO director. The second decision of the Skopje Court of Appeal confirming the first instance verdict can be further challenged at the Supreme Court.*

Convictions in first instance for police officers from Tabanovce border crossing point

Basic Court Skopje 1 sentenced 18 police officers from the border crossing point Tabanovce to imprisonment for bribe taking and organised crime. The group organiser was sentenced to 2 years imprisonment. The other defendants were convicted from 1 to 1.5 years of imprisonment. Five additional border police officers have been arrested in June 2010 under bribe taking charges in the so-called "Boomerang" operation.

Analysis: *The "Boomerang" operation started in November 2009, leading to the apprehension of almost 70 border police officers from Kafasan, Blace, Tabanovce and Novo Selo border crossing points under charges of bribe taking and organised crime.*

Special investigative measures were used in the pre-investigation phase. So far, out of the arrested defendants, 16 border police officers from Kafasan and 18 from Tabanovce have been convicted to imprisonment from 7 months to 2 years. Mention should be made that the penalties applied are towards the minimum threshold provided by the Criminal Code (i.e. the Criminal Code provides penalties of one to 10 years and 6 months to 5 years respectively). This is particularly surprising considering that the border police officers were convicted for the concurrent offences of bribe taking and organised crime which should have led to much higher penalties.

JUDICIARY (MAK)

New recruitments in judiciary

The Judicial Council appointed five new judges in the basic courts among whom three graduates from the Academy for Training of Judges and Prosecutors (ATJP); and two judges in the court of appeals coming from lower courts.

The Council of Public Prosecutors (CPP) appointed four new prosecutors in June, and (on 2 July) four graduates from the ATJP for prosecutors in the basic PPOs, in line with its plans to recruit 12 ATJP graduates in the course of 2010.

Analysis: The lack of a developed human resources strategy prevents a timely inclusion of ATJP graduates in the judiciary and brings about only cosmetic effects in introducing a merit based system of recruitment and career development.

Moreover, the posts for new ATJP candidates are now limited to only nine for the 4th generation as compared to twenty-seven in the first two generations and seventeen in the third one. The two councils are well under meeting the target requirement of having 50% of the ATJP graduates appointed in the basic courts and basic PPOs offices.

Dismissal of judges

The Judicial Council, deciding about the performance of the five members of the criminal council in the Court of Appeals in Skopje, dismissed the presiding judge and the judge rapporteur. Both have filed appeals and the procedure is still ongoing. The reported grounds for these disciplinary procedures were linked to the administration of evidence. The case triggered considerable attention for the fact that the dismissal resulted from an initiative for disciplinary procedure against the presiding judge filed by the Minister of Justice in his capacity of member of the Judicial Council, which was followed by a similar initiative for the other four judges filed by the President of the Judicial Council. The Public Prosecutor, and the President of the Court of Appeals in Skopje found no omissions in the work of the five judges. The Judges' Association (which changed president and part of the managing board at the very end of June) remained silent about the whole process.

Analysis: This case confirmed the doubts about the boundaries between judicial review and disciplinary measures, and, moreover, about interference of the Minister of Justice in the independence of judiciary. It is regrettable that the Judges' Association did not take any stance about the whole case.

Constitutional Court annulled rulebook on assessment of judges' performance

The Constitutional Court annulled the rulebook on procedure and criteria for assessment of judges' performance as "the criteria for dismissal of judges should be established by law and not by implementing legislation". Furthermore, in June the Constitutional Court accepted to review two more rulebooks of the Judicial Council: on disciplinary liability of judges, and on procedure on determining unprofessional and inapt performance of office.

Analysis: This decision will not affect the results of the first completed assessment of judges from summer 2009. It will however lead to further changes in the amendments to the laws on judicial council and on courts that are under preparation.

ACCESS TO INFORMATION

1.2 Human rights and protection of minorities

PRISON SYSTEM (RST)

46 million EUR loan from the Council of Europe Development Bank for prison reconstruction contracted

A loan from the Council of Europe Development Bank (CDB) amounting to 46 million EUR for reconstruction and rehabilitation of prisons was contracted. The Government will contribute with additional 6 million EUR to the prisons' reconstruction and rehabilitation programme which envisages extensive construction works for Idrizovo, Tetovo and Kumanovo prisons; complete renovation of the Skopje prison and construction of new premises for the Tetovo Educational-Correctional Centre. The preparations of the tender dossier for the reconstruction works covered by the CDB loan are ongoing.

Memorandum of Understanding signed for the temporary relocation of the Tetovo Educational-Correctional Centre

The Ministry of Justice signed a Memorandum of Understanding with the Ministry of Labour and Social Policy for the temporary relocation of the Tetovo Educational-Correctional Centre to the Ranka Milanovic facility in Skopje. The actual transfer did not yet place and the two ministries are currently working on the operational details.

Analysis: The construction works planned to be covered with the CDB loan and the state budget funds may bring significant improvements of the conditions in the most problematic prisons and educational-correctional institutions in the country. The balancing between short-, medium- and long- term priorities remains a challenge for the prison administration which continues to be confronted with a low technical capacity for both the strategic planning and the implementation process. For ex. the decision on the temporary relocation of the Tetovo Educational-Correctional Centre came after no less than 9 years since this institution functions within the perimeter of the Skopje prison and so far no actual transfer has taken place, although the decision was taken in mid May 2010. The Directorate for Execution of Sanctions has insufficient staff for a proper coordination of all the ongoing projects (i.e. 13 staff, of whom 3 in the unit for the management of the CDB loan). Particular attention needs to be paid to the

inspection service (only 5 inspectors are currently employed within the Directorate) and to the implementation unit for the 52 million EUR project for reconstruction and rehabilitation of prisons.

Mention should be made that the draft 2010 budget rebalance shows a 10% decrease of the budget for prisons as compared to the initial 2010 budget. The prison administration budget was already deficient and the current decrease comes at a moment when the capacity of the prison management should have been increased. Moreover, the prison administration needs an enhanced capacity to be able to deal with the implementation of the CDB loan. Additional resources are also needed to implement the amendments to the law on execution of sanctions which were enacted, providing, among others, for an enhanced inspection system for prisons.

The draft 2010 rebalanced budget provides for 27 additional staff to be employed in the prison administration (which would not necessarily be enough considering the current shortcomings and the need to further build capacity to administer a loan of 46 million EUR and large scale construction works). The operational costs/employee were decreased by 8%. Within the overall budget for prison administration, the budget for salaries and benefits decreased by 5%, the budget for goods and services by 4% and the budget for capital expenditure by 43% (which shows that following the contracting of the CDB loan the state budget allocated to capital investments considerably decreased, although this should have been further increased to ensure the basic needs of prisons and complement the construction works planned via CDB loan).

FREEDOM OF EXPRESSION (PH)

Associations of Journalists condemned call for violence against journalists

In a joint statement issued on 19 of May, the European Federation of Journalists (EFJ), the European group of the International Federation of Journalists (IFJ) and the national Association of Journalists (ZNM) accused the national authorities of "*scandalous neglect*" for the safety of journalists as they failed to intervene over incitement to violence against journalists in the country. The controversy erupted after Milenko Nedelkovski, a television presenter on TV Kanal 5 issued a list of "*traitor*" journalists and openly called for their physical elimination. The ZNM, an IFJ affiliate in the country, lodged an official complaint against Nedelkovski and asked the authorities to take all the necessary legal measures and to defend the physical, moral and professional integrity of the threatened journalists. The EFJ supported the AJM action and called upon the national authorities to act promptly and firmly against those guilty of hate speech and incitement to violence in media. No such action was taken so far.

Only the Broadcasting Council ensured some follow up. It issued a statement in response to the events, concluding that there was no classic hate speech in the country but elements that breach the programme standards and sporadically raise doubts about the journalist ethics of certain broadcasters. The Council called upon the media in the country to abstain from any activities that may create an atmosphere of intolerance against those who think differently.

Prime Minister statement on the media in the country

In his 70-minute speech delivered on the occasion of the 20th anniversary of the formation of VMRO-DPMNE, PM Gruevski pointed a finger at some TV stations and newspapers (notably *A1 TV*, *Dnevnik*, *Utrinski Vesnik*) and accused them of being "megaphones" of the opposition. The statement stirred up fierce reactions in the media and was sharply criticised by the international community and the opposition parties. The statement was followed by an announcement released the same evening by VMRO-DPMNE stating that A1 Television is reporting in an unprofessional and biased manner, and advising the citizens to consider information from A1 with scepticism.

Analysis: The media targeted in the PM' speech belong to strong economic powers which allow them to act independently and to voice criticism against the Government. *Dnevnik* and *Utrinski Vesnik* belong to the German press group WAZ which maintains overall high journalist standards, while *A1 TV* is owned by the media magnate Velija Ramkovski who occasionally uses his outlets (he also owns the newspapers *Vreme* and *Spic*) for settling personal scores. Clashes between *A1* and VMRO-DPMNE are common in the media space. In response to the announcement issued by VMRO-DPMNE, the president of the Association of Journalists (ZNM) made a statement that direct pressure on media can not be tolerated in democratic society and that ZNM will strongly react to any future attempt of any political party to undermine the independence of the media.

Debates on media freedom in the country

On the occasion of a debate titled *Defamation and offence - censure, auto-censure or low professional standards*, organised by the Association of Journalists (ZNM) on 13 of May, Mr Robert Popovski- ZNM president stated that around 150 criminal charges had been pressed against journalists by holders of public functions and that this number continues to grow. According to Professor Nikola Tupancevski, the hitherto experience proved that most of the criminal charges were not processed to the end.

Another debate on media freedom in the country, organised by the Progress Institute for social democracy, took place on 31 of May. The participants defined the situation of media in the country as highly preoccupying, due to the non-observance of ethical and professional standards, and the growing censorship and self-censorship. The presence of hate speech and appeals for public lynching of journalists were pinpointed as the most concerning issues.

RELIGIOUS FREEDOM (PAE)

Conference on Inter-Religious and Inter-Civilisation Dialogue at Ohrid

More than 400 representatives from some 30 countries took part in the Second World Conference on Interreligious and Inter-Civilisation Dialogue, which was held in Ohrid on 6-9 May. President Ivanov and PM Gruevski addressed the participants.

The declaration adopted at the forum underlined the contribution of different religions and cultures to global peace and understanding. Three jubilees were marked on this

occasion: 100th anniversary of Mother Theresa's birth, 1,100th anniversary of St. Naum of Ohrid's death and 1,400 years since the first publication of the Koran. In contrast with the first such event in 2008, most Orthodox churches from the region did not take part in the conference, while the Russian Orthodox Church participated and the Serbian Church was represented at a low level.

Analysis: The Head of the Islamic Religious Community (IRC) Reis Ul Ulema Sulejman Rexhepi had conditioned his participation at the conference at Ohrid on a solution for the construction and restoration of two Mosques. In a meeting between the PM and the Reis Ul Ulema on 5 May an agreement was reached to restore the Carsi Mosque in centre of Prilep, an important cultural monument that was burnt down in 2001. According to their agreement the IRC, the government and the Eparchy of Prespa – Pelagonija representatives should also jointly choose a site for construction of a mosque in the ethnically mixed village of Lazec, close to Bitola.

The Council for the Burmali Mosque

On 13 May, the Council for the Burmali Mosque organized an event (“*Evidence for Burmali*”) on the main square in Skopje in order to call for the reconstruction of the Burmali Mosque at its previous site on the square. The gathering was not supported by the Islamic Religious Community (IRC). Approximately 500 people participated in the gathering. The area was closed off by the police. One of the leaders of the Council, Ramadan Ramadani, held a speech in Albanian, Turkish and the state language, where he also called for prayer.

Isa Beg Mosque incident

DPA, e/Albanian party in opposition presented video-footages of an incident in the Isa Beg Mosque in Skopje. The Mufti appointed by the Islamic Community (ICM) to carry the service in the mosque, has been forcibly removed by a medium-sized group on 25 June 2010, following the dismissal of Imam Ramadan Ramadani, whom ICM accuses to belong to the radical structures.

CIVIL SOCIETY (IVI)

Public Debate on Civil Society and the EU integration process in the country organised by the Committee on European Affairs

On 10 June, the Parliament's Committee on European Affairs organised a public debate regarding the role of the civil society organisations in the EU integration process, including ways for intensifying of the cooperation with the Parliament. The debate was opened by the Chairman of the Committee and introductory presentations were provided by four panellists - civil society representatives (European Movement, “Wake Up”, Macedonian Centre on International Cooperation and “MOST”). A long list of civil society organisations (approx. 50) as well as members of the Joint Parliamentary Committee and the National Council for European Integration attended the debate. The debate was focused on the existing and future ways of cooperation between the Parliament and its bodies with the civil society organisations, noting good examples but also suggestions for improvements. It was stressed that the cooperation with the civil society should be seen as valid “ethical corrector”, rather than “another political opponent” to the government. In the light of the EU integration process, there were

suggestions for CSOs' increased involvement in the ongoing reforms and in the 33 Chapters corresponding working groups, once the EU negotiations are opened.

Analysis: Most of the civil society representatives expressed satisfaction for the initiative to organise such debate, stressing that this should be a standard practice for the Parliament bodies and government in the future. Some of the CSOs expressed hope that this initiative was not an "ad hoc" event only serving the purpose of giving a good impression for the coming Progress Report. During the intensive debate it was stressed that the main effort should be focused on improving the process of dialogue with the civil society, especially in having regular, structured and transparent consultation process in the development of policies and decision making. This would also include establishing a standardised mechanism for civil society involvement in drafting legislation. It was concluded that introducing clear criteria and mechanisms for involving the civil society should serve to overcome the current situation of discretionary and selective involvement of civil society by government institutions. The Committee for EU affairs supported the CSOs' recommendation to increase the number of qualified civil society representatives into the negotiations teams for the 33 Chapters. Presently, from 800 selected members of the negotiation teams, only 4 are CSOs representatives (Associations of Public Prosecutors, of Judges, of Auditors and of Municipalities – ZELS)).

The Citizens for European Macedonia (CEM) movement issued a Declaration for EU and NATO membership

On 11 June, 55 associations and foundations and 17 political parties (mainly opposition¹), signed a Declaration on EU and NATO integration of the country, initiated by the "Citizens for European Macedonia" (CEM) movement. The Declaration aims at instigating a broad public debate in order to encourage the pro-European forces and stand against the stigmatisation of the European idea because of the dispute with Greece. The signatories of the Declaration also urge the European Union, to make a decision at the EU Council in Brussels that would encourage the citizens and support the European perspectives of the country.

ECONOMIC AND SOCIAL RIGHTS

No developments to report.

MINORITY RIGHTS, PROTECTION OF MINORITIES AND CULTURAL RIGHTS (PH)

Blocked initiative for guaranteed seats for smaller ethnic communities

On 26 May, after a two-day plenary debate, representatives of VMRO-DPMNE and the ethnic Albanian parties rejected SDSM's proposal for guaranteed seats in Parliament for smaller ethnic communities. The proposal foresaw four seats for the Turkish community,

¹ VMRO - National Party, Citizens Liberal Party, the Movement for National Unity of Turks, the Democratic Alliance of Vlachs,, the Green Party, Liberal Party, New Alternative, New Democracy, New Social Democratic Party, United for Macedonia, Party of Pensioners, Party of the Movement of Turks, Party of Free Democrats, the Progressive Party, Social Democratic Alliance, Association of Tito left forces, Party for Democratic Action.

two each for the Serbian and Roma community and one each for the Vlachs and Bosniaks.

Analysis: At a session of the parliamentary Committee for Political System, VMRO-DPMNE accused SDSM of hypocrisy as in the past they had opposed such an initiative. VMRO-DPMNE linked the proposal with SDSM's anticipation of early elections and their ambition to win the trust of the smaller communities. DUI conditioned their support to the proposal that it would not affect the application of the Badinter principle.

ECRI Report on inter-ethnic relations in the country

In its fourth report dedicated to the country, the European Commission against Racism and Intolerance (ECRI) of the Council of Europe noted a deterioration of the interethnic relations in the country and a deepening of the cleavage between the two main ethnic communities. Segregation in schools, ethnic intolerance in society, lack of standardised data collection system for the public sector and preoccupying situation of Roma women are among the main concerns identified. Published on 15 of June, the report recommends further efforts to promote constructive dialogue between the ethnic communities, to improve the representation of representatives of the smaller minorities, to further implement the action plans of the Roma Strategy and to settle the issue of access to personal documents by Roma, ethnic Albanians and Turks.

http://www.coe.int/t/dghl/monitoring/ecri/Country-by-country/Former_Yugoslav_Republic_Macedonia/MKD-CbC-IV-2010-019-ENG.pdf

Conference on integration of national minorities in Europe

A conference on the integration of the national minorities in Europe entitled “*Strengthening the cohesion of European societies: effective participation of persons belonging to national minorities in the decision-making process*” was held on 7 and 8 of June in Skopje as part of the country's chairmanship of the Committee of Ministers of the Council of Europe. In this capacity, the Minister of Foreign Affairs, Antonio Milososki spoke of the importance of the Framework convention on national minorities (FCNM) for the protection of human rights in the European context. The event was attended by around 120 representatives of a number of CoE member states and CoE bodies, representatives of several national institutions relevant to the issue of protecting and promoting the rights of the communities, as well as representatives of international and domestic non-governmental organizations. The conference was an occasion to make an overview and assessment of the current situation regarding the protection of minority rights in the CoE member states, and to launch a debate on specific issues related to the implementation of FCNM. The participants at the conference emphasized the need for intensifying the efforts within the CoE to encourage member states which have not yet signed or ratified the Convention to do so in the foreseeable future.

MFA Milososki held a bilateral meeting with the OSCE High Commissioner on National Minorities, Knut Vollebaek at the Conference margins. At the meeting were discussed the thus-far cooperation with the HCNM Office and the implementation of the Strategy for integrated education, launched last October.

Smaller communities language proclaimed official language in two municipalities

In accordance with the Law on use of languages, both the Roma and Serbian languages were proclaimed official languages in the municipality of Kumanovo and the Serbian language was also proclaimed official language in the municipality of Staro Nagoricane.

1.3 Regional issues

REGIONAL COOPERATION (DAS)

Meeting of regional Presidents near Prizren

The presidents of the country, Kosovo, Albania and Montenegro stressed the importance of regional cooperation, free movement and the improvement of economic cooperation at their meeting near Prizren late June. Presidents Ivanov, Sejdiu, Topi and Vujanovic respectively, asked that all citizens from these states should enjoy the benefits of free travel, which would provide a good foundation for economic development and progress in the EU integration process. President Ivanov stressed that *'all problems and issues in the region must be solved via dialogue. It would be a great pleasure if we could see the Serbian and Greek president at one of our future meetings'*

BILATERAL RELATIONS (DAS)

Visit of Bulgarian Foreign Minister to Skopje

Skopje and Sofia need to look towards the future and not towards the past. This was the joint position of the foreign ministers, Milošoski and Mladenov, presented at a press conference in Skopje. The two interlocutors discussed a bilateral agreement for friendship and cooperation (recently proposed by Bulgaria). Mr Mladenov reaffirmed Bulgaria's support for the country's integration into NATO and the EU.

Several high level meetings between Prime Minister Gruevski and his Greek counterpart

The months of May and June witnessed an intensification of bilateral meetings at the highest level: bilateral meetings between Prime Minister Gruevski and his Greek counterpart Papandreu took place in the margins of the EU – Latin America summit in Madrid, the June EU Council meeting, and the regional forum in Istanbul. In addition, Foreign Minister Milošoski met his counterpart Droutsas in the margins of the EU – Western Balkans Sarajevo conference. Although these talks did not result in visible progress in the process of settling the name issue, they were assessed as helpful in terms of increasing the trust between the two parties.

Submission of reply to Greek arguments to the International Court of Justice

The country's ambassador to The Netherlands submitted to The Hague-based International Court of Justice a reply to the Greek counter-memorial on the lawsuit filed by Skopje against Athens for alleged breach of the 1995 bilateral interim accord. Greece is expected to submit its written memorial by 27 October 2010.

Opinion poll on name issue

An opinion poll conducted by the daily Dnevnik showed that the majority of citizens (51%) is against a compromise solution to the name issue, which would include a new international name with a geographical modifier. The survey confirmed the high public support for the state leadership's policy on the matter, as well as the considerable difference in the perception of the issue between the two main ethnic communities. The Government policy on the name is approved by 48% of the respondents (45% disapprove it). Four-fifths of ethnic Albanian respondents are dissatisfied with the manner in which the government is handling the negotiations on the name. However, there is an increased readiness for finding a solution; especially among the younger population (52% of the respondents aged 18-29 would accept a compromise solution with a geographical modifier provided that it protects the identity).

Border demarcation with Kosovo completed

The technical demarcation of the border with Kosovo was completed with the company in charge of the aerial mapping handing over the documents to the mixed committee for border demarcation.

Visit of Kosovo Minister of Interior to Skopje

The Minister of Interior Jankuloska met her Kosovo counterpart Rexhepi in Skopje on 14 May and handed over a list of some 70 convicted criminals. The interlocutors exchanged information on these persons, suspected of giving support to arms smugglers. *'The incidents are creating tension and alarm among citizens. They should not be underestimated, but they do not represent a threat of instability, neither in the country nor in the region'*, Mr Jankuloska stressed.

CO-OPERATION WITH INTERNATIONAL CRIMINAL TRIBUNAL FOR FORMER YUGOSLAVIA (PAE)

ICTY Appeals Chamber upholds Conviction of Johan Tarčulovski and Acquittal of Ljube Boškoski

On 19th May the ICTY Appeals Chamber upheld the 10 July 2008 conviction of Johan Tarčulovski, a former police officer, for having ordered, planned and instigated crimes committed against ethnic Albanians during a police operation conducted on 12 August 2001 in the village of Ljuboten. His sentence of 12 years' imprisonment was upheld. The Appeals Chamber also affirmed the acquittal of Ljube Boškoski, Minister of Interior from May 2001 until November 2002. The Prosecution had appealed Boškoski's acquittal.

Around 100 persons protested Tarčulovski's conviction in Skopje. Additionally, a charter plane of supporters, including Minister of Transport and Communications Mile Janakieski and several members of parliament from the VMRO-DPMNE ruling party, flew to the Hague to attend the hearing.

Analysis: Even if the Court's judgment could not have come as a surprise, the domestic reaction was unfortunate, if not unprecedented (ministers had previously flown to the Hague in 2008 in support of the defendants).

Update on the "Mavrovo road workers' case" (for background see April Report)

The hearings in the Mavrovo road workers' case (one of the returned ICTY case files) scheduled for the 3 and 6 May were postponed as the lawyer of one of the defendants failed to appear in Court. On both occasions the lawyer was fined 1,000 Euros.

2. *Economic criteria*

2.1 *Economic developments (EH)*

Fiscal sector

During the first four months of 2010 total revenues in the central budget were 24,470 million MKD, while expenditures totalled 28,742 million MKD, registered deficit was 4,272 million MKD. Consolidated budget² registered deficit of 4,756 million MKD for the first four months of the year as total revenues were 40,787 million MKD and total expenditures were 45,543 million MKD. Revised budget proposal which is currently at the Parliament for adoption is based on maintaining budget deficit at 2.5 per cent of the GDP.

The plans for issuing a third³ Eurobond ranging from 175-250 million Euro during the month of May have been postponed for the later this year due to non favourable conditions on the money market. The Government remains reluctant to turn to the IMF for support.

Revenues from profit tax recorded a sharp decline by 55.6 per cent for the first four months of the year, revenues from the personal income tax declined by 1.9 per cent, while revenues from VAT increased by 6 per cent over the same time period.

The last IMF country visit (April 29-May 5) came to the preliminary assessment that the country is recovering from the economic crisis and that the economy is likely to grow this year.

Analysis: The Government's expectations for a reduction of the unemployment rate, implicitly contained in the 2008 Law on mandatory social contributions have not materialised due to the low level of job creation and the effects of the global economic crisis. Initially, the Law (art. 31) envisaged a decrease of the social contributions from 19 per cent in 2009 to 16.5 per cent in 2010. Article 31 was amended in December 2009 stipulating that the social contributions for 2010 will be lowered by 1 per cent (i.e. from 19 per cent to 18 per cent), and the health insurance contributions by 0.2 per cent from initially planned 0.5 per cent.

However, only 92.4 per cent of the projected social contributions for the period January –April 2010 were realised, and this share is likely to further decline by the end of the year due to the increase of the unemployment rate in the first quarter of the year.

2 Consolidated budget includes Central budget and Funds (Pension fund, Health insurance fund, Employment agency and Fund for national and regional roads of the country)

3 First Eurobond was issued in 2005 totalling 150 m EUR with interest rate 4.625%, second Eurobond was issued in 2008 totalling 175 m EUR with interest rate 9.875%.

Gross Domestic Product (GDP)

According to the preliminary data of the State Statistical Office (SSO), the GDP in the first quarter of 2010 fell by 0.9 per cent. The highest decrease, based on the expenditure method (current prices), was recorded in the Gross Capital Formation (GCF) component with 46.6 per cent (in the previous three years, the first quarters had a positive GCF growth). The final consumption component registered a 1.6 per cent decrease.

Prices

The **Consumer Price Index (CPI)**, measured by prices of goods and services for personal consumption, has **declined by 0.6 per cent** in May 2010 compared with April 2010, while in comparison with May 2009 it has increased by 0.2 per cent.

A **decrease** for the period May 2010- April 2010 has been registered in the following groups: Food and non-alcoholic beverages by 1.6 per cent, Miscellaneous goods and services by 0.8 per cent, Recreation and culture by 0.4 per cent, Alcoholic beverages, tobacco by 0.1 per cent, Housing, water, electricity, gas and other fuels by 0.1 per cent.

An **increase** of the CPI for the same period was registered in the following groups: Transport by 0.7 per cent, Furnishings, household equipment and routine maintenance of the house by 0.5 per cent, Clothing and footwear by 0.3 per cent, Restaurants and hotels services by 0.2 per cent, Health services by 0.1 per cent. Prices remained unchanged for education and communication.

The **Retail Price Index (RPI)** in May 2010 compared with April 2010 **declined by 0.3 per cent**. The value of the **consumer basket** for food and beverages for a four-member household in May 2010, calculated on the basis of retail prices, was **12,378 MKD** (€201), and in comparison with the previous month it is lower by 2.2 per cent.

Industrial production

Industrial production volume in April 2010 compared to April 2009 **declined by 9.6 per cent**. The highest decline was registered in the group of capital industrial goods by 35.6 per cent, while the production volume for non-durable consumer goods decreased by 14.3 per cent and for intermediate industrial goods by 6.7 per cent.

Energy production and durable consumer goods production grew by 1.9 per cent and 4.7 per cent respectively.

External sector

According to the preliminary data of the State Statistical Office, the export value of goods for the period January-April 2010 was 897,573 thousand US \$, and the import value was 1,568,256 thousand US \$. The **trade deficit** for the period January-April 2010 was 670,683 thousand US \$ and the export coverage was 57.2 per cent.

Exports grew by 23.5 per cent for the period January-April 2010 compared to January-April 2009 was, while imports grew by 0.8 per cent for the same period.

In first four months of 2010, 61.8 per cent of the country's total exports went to the EU27 and 30.7 per cent to the Western Balkan countries.

Socioeconomic status

The labour force in the first quarter of 2010 increased by 0.7 per cent compared to the first quarter of 2009. According to the Labour Force Survey (LFS) of the State Statistical Office, the labour force comprised 925,613 persons, of which 615,962 or 66.5 per cent were employed and 309,651 persons or 33.5 per cent were unemployed. The number of

employed persons in the first quarter of 2010 compared to the same quarter in 2009 decreased by 0.4 per cent, while the number of unemployed persons increased by 2.9 per cent for the same period. The activity rate in this period was 56.3 per cent, the **employment rate** was **37.5 per cent** and the **unemployment rate** was **33.5 per cent**. The unemployment rate for the group aged 15-24 increased by 2.7 per cent on a yearly basis to 57.1 per cent in the first quarter of 2010.

The number of **registered unemployed** at the Employment Service Agency in May 2010 was 334,477 persons which is a decrease by 4,745 compared to April 2010 when number of registered unemployed was 339,222 persons.

Average net salary in the country was 20,338 MKD (€330) in March 2010 and has increased by 3 per cent since March 2009, while real net wage increase for the same period was 2.3 per cent.

Number of pensioners in March 2010 was 276,663 with **average pension** 10,117 MKD (€164).

Decentralisation

The Committee for Monitoring the Development of the System for Financing the Municipalities agreed not to propose a change to the methodology for the allocation of VAT for 2011, which will remain the same as for 2010: 3 million MKD for each municipality including Skopje, and allocation of the rest of the amount as follows: 65% based on GDP per capita, 27% according to size of the area of the municipality and 8% on the basis of population. From 1 July 2010 Kamenica entered into the second phase of fiscal decentralisation, thus leaving 11 municipalities in phase 1.

Analysis: The proposal, which has been adopted by the Government, does not tackle the issue of reduction of fiscal disparities between municipalities.

Monetary policy

The external current account imbalance over the last three years led to an increased vulnerability of the foreign exchange market and pressure on the MKD. While this imbalance used to be largely filled by FDI (around 80 per cent), recent data show an increase in the relative share of remittances.

Auctions of the central bank bills still attract high interest among the commercial banks despite a decrease in the interest rate from 6 per cent to 5 per cent in mid June (and compared to 9 percent one year ago).

The outstanding amount of central bank bills at the end of June 2010 reached 23.5 million MKD (around €383 million).

Parliament adopted the Strategy for Managing the Public Debt for 2010-2012. Basic principles are to determine the structure of the debt portfolio and coordinate with the macroeconomic policy of the country, to coordinate the costs of the debt portfolio with the costs determined in the budget for each single year in the upcoming period and to limit and eliminate risks that might negatively influence public debt sustainability over the medium- and long-term.

Total public debt of the country on 31 December 2009 was €2,129 million or 32.1% of GDP. The strategy for public debt management forecasts that the total public debt in GDP will reach 33.5% by 2012.

2.2 Assessment in terms of Copenhagen Criteria(RAA)

Penalty policy to be improved

The government announced that it will take actions to improve the penalty policy. Therefore, it had established a coordination body for improvement of the penalty policy, which will deal with coordination of all activities related to the penalty policy, including proposing measures for its improvement review of the plans of the inspectorates so that selectivity of the inspections and controls can be avoided, and illegal competition can be prevented. The coordination body is chaired by the DPM for economic affairs, Vladimir Peševski, while the other members are high-ranked from many institutions, authorised to perform inspections and control.

Analysis: The need for improving the penalty policy arose from the claims of the businesses that the fines for some offences are too high and do not correspond to the level of the offence. Businesses also complained that the controls were done selectively: the businesses close to the government were "spared" either from being controlled or penalised.

3. Ability to Assume the Obligations of Membership

3.1. Chapters of the acquis

CHAPTER 1: FREE MOVEMENT OF GOODS (EGE)

Law amending the Law on arms was adopted

Parliament adopted the Law amending the Law on arms. The amendment regulates, in more detail the possession of antique pieces of arms and defines the authority of the national institution: the national Museum in Skopje. The amendment also introduces the possibility for temporary deactivation of the firearms and details the personal identification data needed for registration of the arms. An article of this Law also calls all legal and natural entities that are in illegal possession of arms to hand them over to the Ministry of Interior. No criminal or misdemeanor charges will be raised against such natural and legal entities.

Rulebook on testing of medical devices was issued

Pursuant to the Law on medicine and medical devices, the Ministry of Health issued a Rulebook on necessary documents and the procedure for registration of clinical testing of medical devices. The rulebook sets forth the procedure for testing of medical devices, the documents that have to accompany the request for clinical testing, the rights of the individuals involved in the testing, the composition of the testing committee, the authority of the Committee on ethics, the minimum qualifications of the testing officers and the testing team, and the conditions to be fulfilled by the legal entities to acquire a permit to test medical devices.

Rulebook on use of cable transporters was issued

Pursuant to the Law on technical inspection, the Minister of Economy issued a Rulebook on the use of cable transporters. It defines the list of technical equipment that is subject to a technical evaluation and periodical testing, the activities, timetable and procedure for evaluation and testing, the conditions to be fulfilled by the independent evaluation

and testing entities, as well as the documents that have to accompany the equipment to be put in use. The rulebook sets forth the specific requirements to be fulfilled by the equipment user/consumer, producer, trader, engineer, installer and the legal entity authorized to perform independent technical evaluation and testing.

Bureau of Metrology became a full member of EURAMET

The Bureau of Metrology as the national body for maintenance and development of the metrological system became a full member in the European Association of National Metrology Institutes (EURAMET). The full membership was attained after successful presentation of the Bureau's achievements and fulfilment of the criteria laid down in the acts of EURAMET.

CHAPTER 2: FREE MOVEMENT FOR WORKERS (EGE)

New agreement for use of European health insurance card

The Health Insurance Fund signed an agreement with the Health insurance Fund of the Kingdom of Netherlands for the use of the European health insurance card on the territory of the country for Dutch insured entities. The agreement enters into force on 1 October 2010.

CHAPTER 3: RIGHT OF ESTABLISHMENT AND FREEDOM TO PROVIDE SERVICES (RAA)

Law on bill of exchange amended

The Parliament amended the law on bill of exchange harmonising it with the law on misdemeanours.

CHAPTER 4: FREE MOVEMENT OF CAPITAL (RAA)

Law on fast money transfer amended

The Parliament amended the law on fast money transfer harmonising it with the Criminal Code.

CHAPTER 5: PUBLIC PROCUREMENT

No developments to report.

CHAPTER 6: COMPANY LAW (MS)

Rulebook on international standards on auditing issued

The Ministry of Finance issued a rulebook on auditing standards that transposes the international standards on auditing, assurance engagements and related services established by the International Federation of Accountants (IFAC). Chartered auditors are obliged to apply these international auditing standards and the international code of ethics for chartered accountants. This rulebook replaced the 2005 rulebook.

Rulebook on registry of claims of bankruptcy trustees

The Ministry of Economy issued a rulebook on the form, content and manner of maintaining an electronic register of claims determined by the bankruptcy trustees. The electronic register will be fed with those claims for which a final decision has been taken.

CHAPTER 7: INTELLECTUAL PROPERTY LAW (MS)

Lisbon Agreement for the Protection of Appellations of Origin ratified

Parliament enacted the law ratifying the 1958 Lisbon Agreement for the Protection of Appellations of Origin and their International Registration of the World Intellectual Property Organisation. The State Office for Industrial Property will be the institution responsible for implementing the Agreement.

CHAPTER 8: COMPETITION POLICY

No developments to report.

CHAPTER 9: FINANCIAL SERVICES (RAA)

Law on banks amended

The Parliament amended the banking law harmonising it with the Criminal Code.

Implementing legislation on banks under administration

Pursuant to the law on banks, the central bank set out the procedures for selling the assets of a bank under administration. The procedure is to be completed under central bank administration within 75 calendar days. The central bank also defined the procedures for transfer of the assets and the liabilities of a bank under central bank administration. This procedure is to be completed within 77 calendar days.

Analysis: both manuals transpose Directive 2001/24/EC on reorganisation and winding up credit institutions; alignment remains to be confirmed.

Law on investment funds amended

The Parliament amended the law on investment fund harmonising it with the Criminal Code.

New four Commissioners in the Securities and Exchange Commission

The Parliament elected four new Commissioners in the Securities and Exchange Commission (SEC), in line with the amendments of the securities law of February 2008.

Analysis: two of the appointed four Commissioners have been re-elected. The new Commissioners are to be full-time employees of the SEC, as stipulated in the amendments to the securities law of February 2008.

Implementing legislation on investment funds

The Securities and Exchange Commission (SEC) set out the procedures and the documents required for establishing of a subsidiary of foreign fund managing company. The SEC also issued a manual on the allowed investments and the investment limits for the close-ended investment funds.

Law on insurance supervision amended

The Parliament amended the law on insurance supervision, harmonising it with the Criminal Code and the amended law on preventing of money laundering and financing of terrorism. Insurance companies are required to set up separate units for fight against money laundering. The Insurance supervisory agency (ISA) is to monitor the measures for prevention of money laundering in line with the law preventing of money laundering and financing of terrorism. Finally, the ISA is required to submit to the Parliament for approval its annual report audited by an authorised auditor, the latest by 30 June.

Manual on technical and organisational requirements for data protection in MAPAS

The Agency for supervision of fully-funded pension insurance issued a manual on the technical and organisational requirements for providing privacy and protection during the processing of personal data.

Manual on licensing of financial leasing

The Ministry of Finance amended the manual on licensing of financial leasing by putting new conditions for obtaining a license for financial leasing, including a certificate form the Central registry that the entity has current liquidity, has credit potentials and works with profit.

CHAPTER 10: INFORMATION SOCIETY AND MEDIA (IJ)

Amendments to the Law on electronic communications enacted

Parliament enacted the amendments to the Law on Electronic Communications with a simple majority. Out of a total 150 articles of the law, 91 articles have been amended. The amendments *inter alia* relate to portability of numbers, the authority of the regulator (Agency for Electronic Communications), the selection of universal service provider, radiofrequency management and interception of communications. *See Chapter 24 for examination and analysis of those amendments relating to the interception of communications (articles 71-75), which received sharp criticism from the public.*

Analysis: *The amendments with regards to the interception of communications were added to the draft law of electronic communications at the later stage, after the European Commission reviewed the earlier version of the draft law. Another contentious issue is the requirement (Article 29-a) that telecommunication services cannot be provided by operators that have their communication equipment installed outside of the country. This article discriminates against operators that have their equipment in another Member State. However, this will be difficult to enforce as new networks switching equipment can be placed anywhere in a network.*

Research on quality of services provided by telecommunication companies

The results of the research on the quality of services provided by the telecom operators show that most of the companies have reached the medium level of quality in the services provided. It has been noted that telecom operators lag behind in the speed of services provided, but ranked well for the behaviour of their employees. On the other hand, a large number of complaints from the users of mobile telephony have been submitted to the Organisation for Protection of Consumers. The most common problems lie with the unreal bills. The citizens' main concern is that they have nowhere to complain of their problems and the number of solved cases which benefit the citizens is decreasing on an annual basis.

Markets share of the third operators has increased

The mobile operator VIP, owned by Telecom Austria, has increased the number of its subscribers to 333.300, which represents an annual increase by 50%. The market share of this third operator has increased to 16,4%, in the context of a market penetration of 99,8% of the mobile communications. However, mass cancellation of subscribers from the second largest mobile operator "ONE", owned by Telekom Slovenia, has been registered recently. In the meantime, Telekom Slovenia published the results for the first trimester of 2010. For the first time, since the company started operating, it marks loss mostly due to its work in the country. The net loss in the first trimester totals €600,000, whereas the profit generated in 2009 amounted to €14 million. In the country, in the course of the first trimester of this year, Telekom Slovenia suffered a loss of €5.3 million, prior to taxation.

AEC proposes reduction of price for mobile telephony

There is a room for 10 to 15 % reduction of the wholesale price of the service that one mobile operator pays to other operator, for using its network, announced the Agency for Electronic Communications (AEC). In terms of the wholesale prices, until now the operators agreed on commercial basis. The mobile operators will be placed in a position to rent their own infrastructure at a price that will be previously defined as a result of implemented bottom-up LRIC model. A decrease in the retail prices is expected as a result.

Market analyses conducted

The Agency for Electronic Communications conducted the initial analysis of the market no. 15 on services for access and call origin in public mobile communication networks (relevant markets for wholesale of products and services).

Decisions made based on cost-based methodology WACC

The AEC has brought decisions setting the appropriate rate of return on capital employed by operators with significant market power (including to the fixed operator Makedonski Telekom, and to mobile operators T-Mobile and ONE) based on earlier introduced WACC (weighted average cost of capital) model. The estimated fixed line operator WACC is 13.40% and the estimated mobile operator WACC is 14.00%. These three operators are expected to use the set rate when determining the prices for regulated services that they provide.

Allocation of Telekom's Dividend

The dividend of Makedonski Telekom, the largest telecommunications company in the country, owned by Deutsche Telekom, is to be divided among the shareholders. Over €45 million, of the total last year's profit of €153 million will be transferred to the state account. The biggest part of the profit – over €93 million, remains for the dominant owner Deutsche Telekom, while €3.5 million are for the remaining minority of share holders. Last year, the government, received €34 million. For 2006 and 2007, on this basis, total of €61 million were paid to the state budget.

Decree on electronic exchange of documents

The Ministry of Information Society adopted a decree on the manner of exchange of documents electronically in the framework of the law on electronic administration. The Ministry also brought decrees on standards and rules for security of information systems when exchanging documents electronically; on technical needs for securing access to administrative services electronically; on the manner of certification of information systems that state organs use for communication electronically; on the form and content of the evidence of the databases of the organs that communicate electronically; on the form and content of the elements of the request for securing services electronically; and decree on the standards and rules for use of unified formulations when communicating electronically.

Anti-corruption commission detects case of conflict of interests at public service broadcaster MRTV

The State commission for prevention of corruption has reprimanded Leonid Nakov, member of MRTV Management Board, demanding that he resigns from his post in the TV station as he is also member in a body of a political party which represents a conflict of interest. The Commission has first issued such demand to Nakov on 22 October 2009, but he has failed to observe it.

CHAPTER 11: AGRICULTURE AND RURAL DEVELOPMENT (JBA)

Completion of First Call for Proposals under IPARD (IPA Component V)

A total of 133 applications were made under the first IPARD Call for Proposals. From these, 28 have been approved with an EU co-financing total value of €M 2.113.

Analysis: The EU co-financing value is almost exactly equal to the IPA 2007 allocation for Component V of €M 2.11. A Second Call for Proposals of the three current Measures is planned for September 2010. It can be anticipated that a significant proportion of the unsuccessful applications will be re-submitted having taken account of the reasons for their original rejection.

Preparation of Technical Assistance Measure under IPARD (IPA Component V)

There is still very limited evidence of progress with preparations for national accreditation linked to the Technical Assistance Measure.

Analysis: In this respect, institutional capacity within the Managing Authority remains insufficient.

CHAPTER 12: FOOD SAFETY, VETERINARY AND PHYTOSANITARY POLICY (DM)

2009 National residues monitoring plan approved

The former Yugoslav Republic of Macedonia is included in the list of countries with approved residues monitoring plans in the Annex to Commission Decision 2004/432/EC. The approval is renewed for bovine, ovine/caprine, live equidae and milk, and initial approval is given for six new commodities: swine, wild game and poultry meat, aquaculture, eggs and honey.

Adopted lists of harmful organisms

Pursuant to the law on plant health the Ministry of Agriculture Forestry and Water Economy adopted new lists of harmful organisms, plants, plant products and other objects for which the introduction in the country is prohibited.

Rulebook issued on specific requirements for safety of alcoholic beverages

Pursuant to the law on food safety, the Ministry of Health issued a rulebook which lays down specific requirements for safety of alcoholic beverages.

Decision confirming a list of veterinary border inspection posts

Pursuant to the law on veterinary health the Ministry of Agriculture Forestry and Water Economy issue a decision laying down the list of veterinary border inspection posts categorised for all or only specific kind of animals and animal products.

Decision confirming a list of phyto-sanitary border inspection posts

Pursuant to the law on plant health the Ministry of Agriculture Forestry and Water Economy issue a decision laying down the list of phyto-sanitary border inspection posts categorised according to the type of transport.

CHAPTER 13: FISHERIES (JBA)

Alignment of legislation

Amendments to the Law on Fisheries and Aquaculture have been adopted and published in the Official Journal.

Analysis: The principal changes in the law strengthen the provisions on state aid in fisheries and aquaculture in accordance with EU regulations, as well as reducing the value of penalty provisions. Both changes reflect recommendations made in the Agriculture and Fisheries Sub-Committee meeting in 2009.

CHAPTER 14: TRANSPORT POLICY (MMA)

Decision amending the decision on constitution of road traffic safety coordinative body

The Government has adopted a Decision amending the decision on constitution of road traffic safety Coordinative Body aiming to include the Ministry of education and science due to related road safety educational aspects.

Decision on constitution of Railway System Accidents Committee

Pursuant to the law on security of railway system the government has adopted a Decision on constitution of Railway System Accidents Committee to transform it into a permanent body. The Committee is responsible for investigation procedures on serious accident or incidents according to the relevant law on security of railway system. The operational costs for the Committee are to be covered by the Ministry of transport and communications.

Amendment to the law on aviation

The Parliament has adopted an amendment to the Law on aviation. The amendment regulates further harmonization of the national legislation according to the EU legislation requirements in the field of political and functional independence of the Civil Aviation Agency. The amendment also includes a reduction of the financial resources of the Civil Aviation Agency that is not in line with the *acquis*.

Implementing legislation on aviation law

Pursuant to the aviation law the Ministry of defence issued a rulebook for marking, colouring and registering definition and procedure for the army aircrafts.

Implementing legislation on the inland waterway navigation

In reference to the Law on inland waterway navigation the Ministry of transport and communication adopted a new Rulebook on the conditions for obtaining a certificate for ship crew members as well for the exam rules and procedures.

CHAPTER 15: ENERGY (DAS)

Rehabilitation of REK Bitola

Stopanska Banka allocated a €30 million credit to ELEM for the rehabilitation of the thermal power plants of REK Bitola. According to the Minister of Finance, Zoran Stavreski, the rehabilitation project represents the biggest investment in REK Bitola since the start of operations. The overall investment is worth €55 million, with the remaining €25 million to be provided by ELEM. The government guarantees for the Stopanska Banka credit, which according to the Minister was granted under exceptionally good conditions, including a repayment period of 14 years with a 3-year grace period and a variable interest rate of 5.16 per cent linked to Euribor.

Analysis: From a security of supply point of view, there is no realistic alternative to the use of lignite for electricity generation for the foreseeable future. The currently planned rehabilitation program of ELEM will allow for a life-time extension of the existing power plants. However, no funds have been secured this far to prepare for compliance

with the Large Combustion Plant (LCP) directive (according to the Energy Community Treaty compliance is required by the end of 2017). According to a study commissioned by EBRD in August 2009 an additional investment of around €145 million would be necessary to comply with the LCP-directive (current emissions exceed the LCP limits by around 4-times for NO_x, 7-8 times for SO_x, and 9 times for dust).

Update on EVN issue

(a) The negotiations between the Government and EVN on a resolution of the dispute are still ongoing: a breakthrough has not been achieved this far. The international arbitration cases in Washington and London (the latter related to the Sales Purchase Agreement) are temporarily on hold until August, while the next hearing in the domestic EVN-ELEM trial has been postponed to September.

(b) The new energy law has been sent to the market participants for a final round of consultation. It is envisaged that the law will be subject to a public debate, and then put into Government procedure later in July.

(c) The Energy Regulatory Commission has not yet amended the tariff rulebook in such way that the principle for cost-reflectivity is met.

Analysis: The coming weeks will be crucial in determining whether there is enough political will to seek a compromise solution (there are still opposing fractions within the Government). A resolution of the dispute is of critical importance for a continuation of the energy sector reform process, including adoption of the new energy law in early autumn. It would be important to adopt the law prior to the upcoming Ministerial Council meeting of the Energy Community that will take place on 24 September in Skopje.

Public Debate on 2020 Energy Efficiency Strategy

The country intends to save around €1.2 billion with investments of €552 million for energy efficiency improvements. This is envisaged by the 2020 Energy Efficiency Strategy, which was subject to a public debate. The draft-strategy, developed with the support of USAID, outlines the measures that need to be undertaken in households, the public sector and in industry for improving energy efficiency in the country.

Analysis: The energy efficiency strategy aims to reduce energy consumption (2006 level) by 14.5 per cent by 2020. Although an even more ambitious target could have been envisaged, this target is a serious commitment in a context of economic growth and an improvement of living conditions. The authorities have also submitted the National Energy Efficiency Action Plan (NEEAP) to the Energy Community Secretariat. The NEEAP serves as the implementation plan of the strategy. With the energy efficiency strategy, the energy development strategy and the renewable energy strategy, the country has its strategic framework in place and needs to focus now on the realisation of the objectives postulated in these documents.

Skopje hosts Energy Community Social Forum

The 3rd Social Forum of the Energy Community took place in Skopje. The Forum aims at exchanging experiences between the Energy Community contracting parties in terms of the social dimension of energy sector reform. The Minister of Economy, Fatmir Besimi, stressed that 'reducing energy poverty without putting in question the market

liberalisation process is an integral part of our strategy for energy development'. Starting from September this year, around 58,000 socially vulnerable households in the country will receive a €10 subsidy on a monthly basis upon proof of payment of an energy bill.

Analysis: While in principle the introduction of a direct subsidy to vulnerable customers is a positive development, there is a danger that the way this subsidy scheme is structured it will be mostly used for payment of bills for oil products. It remains therefore to be seen whether the measure will have any positive impact on electricity collection rates. The use of energy efficiency measures to support vulnerable customers – USAID is currently carrying-out a pilot project in this field – should be considered by the Government as an alternative to subsidies in due course.

Discussions on involvement in South Stream Pipeline

President Ivanov and Finance Minister Stavreski met with Gazprom Director-General Miller in Saint Petersburg. Interlocutors voiced satisfaction from the due signing of the agreement regarding Russia's clearing debt, thus enabling enhancement of cooperation with the Russian Federation in the energy sector and creating conditions for Gazprom to take part in the construction of a gas pipeline network in Macedonia. The meeting also focused on the country's involvement in the gas pipeline project South Stream, with the possibility of constructing a branch passing through the country's territory. Moreover, the meeting tackled the partnership between the Russian energy giant and the country in the construction of gas-fired power plants. Russian Energy Company Gazprom has agreed to involve the country in the gas pipeline project South Stream, said President Ivanov after the meeting with Russian counterpart Medvedev. The future bilateral cooperation will be regulated in a Treaty on Friendship and Cooperation.

Analysis: From an energy perspective, it makes sense that the country tries to investigate possibilities for expansion of the use of natural gas and for securing the required supply. The geopolitical implication of this move is rather limited as the country would not be a South Stream transit country, and the South Stream does not require the country's support for its realisation. However, the move demonstrates that the country first and foremost pursues its national interest in energy issues. In this context, it should also be noted that the Deputy Prime Minister for Economic Affairs Pesevski at the 13th Euro-Asian Summit in Istanbul indicated that the country envisages involvement in the Turkey-Greece interconnector project.

New Director of Radiation Safety Directorate

The Director of the Radiation Safety Directorate (RSD), Mr Stamenov, was replaced at his own request. The Government nominated Mr Shahin, a former mayor of Zupa municipality, as new Director of the RSD.

Analysis: The former Director of the RSD was a very active Director; it remains therefore to be seen whether his successor will show equal enthusiasm for an area that he is not really familiar with.

CHAPTER 16: TAXATION (EH)

IMF mission on Tax administration operation

The IMF concluded a mission to assess the operation of the Tax Administration. The assessment pointed out shortcomings particularly in the area of the VAT refund, a substantial amount of which is not processed within the legal deadline. Furthermore, it highlighted that the audit and the enforced collection of arrears should be strengthened and that in general terms, the organisation suffers from a lack of staff. The NPAA foresaw the recruitment of 50 additional staff in 2009 out of which only 17 were recruited in the area of IT.

Analysis: For 2010 the NPAA foresees 50 additional posts; however the Public Revenue Office (PRO) could not confirm that these will be recruited. Slow or no increase of staff hinders the enhancement of the PRO's administrative capacity.

Amendment of Profit Tax Law

Dividends or other forms of profit distribution are taxable at the moment of disbursement (for physical persons and for legal persons that are non residents), while dividends paid to legal entities that are residents of the country are exempt from taxation.

CHAPTER 17: ECONOMIC AND MONETARY POLICY
2010-2012 Strategy on public debt

See 2.1 Macroeconomic developments

CHAPTER 18: STATISTICS (EB)

Second Meeting of the TCG held in Skopje

The Second Meeting of the Technical Census Group (TCG), a Eurostat initiative, was held in Skopje, hosted by the State Statistical Office. The meeting, focussed on the census preparations among the eight countries in the Western Balkans, was attended by some 30 participants from the national statistical offices from the region.

The aim of the meeting was to exchange information on the progress regarding the census preparation among the countries in the region, focusing on the technical aspects of the preparations.

The census date for most countries in the region is 31 March 2011. Census period is ranging from two to four weeks, depending on the country. Pilot censuses were already performed in six countries, and a pilot study was performed in Turkey. Plans for quality measures, including post enumeration surveys are in place for five countries, and census monitoring is agreed for three countries.

Progress with adoption of the census laws and securing funds for this operation is rather limited across the region, with most of the countries, including the former Yugoslav Republic of Macedonia, having yet to adopt their respective census laws and budgets

CHAPTER 19: SOCIAL POLICY AND EMPLOYMENT (NS)

Setting-up the Economic and Social Council (ESC)

The procedures of the commission in charge of verification of the criteria laid out by the law on labour relations for participating in the tri-partite social dialogue for determining representativeness of the Social Partners were completed. On 29 July the Minister of Labour and Social Policy made public the decisions for membership of trade unions and employers associations in the ESC. The Union of Trade Unions, the Confederation of Free Trade Unions and the Employers Organisations have been officially declared as members of the ESC. . The Ministry have also prepared a draft decision for establishing the Economic-Social Council. The first meeting of the ESC with new members will be organised in July.

CHAPTER 20: ENTERPRISE AND INDUSTRIAL POLICY (EGE)

New Technological Industrial Development Zone

The Government adopted a decision to establish the new Technological Industrial Development Zone "Tetovo". It will be the fourth zone established in the country out of a planned total of 11 zones. The zone is located in north-west part of the country on 967,474m2 of state-owned land. The management of the zone is entrusted to the Directorate for TIDZ.

CHAPTER 21: TRANS-EUROPEAN NETWORKS

No developments to report.

CHAPTER 22: REGIONAL POLICY AND CO-ORDINATION OF STRUCTURAL INSTRUMENTS

No developments to report.

CHAPTER 23: JUDICIARY AND FUNDAMENTAL RIGHTS

See relevant sections under political criteria

CHAPTER 24: JUSTICE, FREEDOM AND SECURITY (RST/TB/PH)

New machine for issuance of bio-metric personal documents procured (PH)

In order to better address the growing number of demands for biometric travel documents and remedy the complaints related to the long waiting time, the Ministry of Interior procured an additional machine for issuance of biometric documents, worth EUR 1,5 million (on the top of the two pre-existing printing machines). It is expected that the new machine, operational as of 1 of July, will reduce significantly the long waiting period for issuance of new documents, in particular in the summer season when the demand for travel documents is the highest.

Analysis: The number of biometric passports issued exceeded 700.000, i.e. over 80% of passport holders in the country have biometric travel documents. Despite this high and relatively rapidly growing number, there is a wide-spread discontent among the population of the long waiting time, as the issuance of biometric documents for persons applying now under the regular procedure are scheduled for 2011. According to

Minister of Interior; the new machine will not only shorten the waiting time, but will also allow moving forward the already set deadlines.

Programs for integration of returnees adopted (PH)

In May, the Government adopted programs for integration of persons returned on the basis of readmission agreements. Based on the existing legal regulation, the programs foresee socio-economic support and access to education, health protection and personal identification travel documents for the readmitted persons. 361 people were received in accordance with the EU readmission agreement and bilateral agreements since the beginning of the year.

Technical work related to border demarcation with Kosovo completed (PH)

26 May saw the closure of the technical demarcation of the border with Kosovo. The company in charge of the aerial mapping handed in the documents to the mixed committee for border demarcation. A document for the renewal and the maintenance of the demarked borderline is to be signed by the two countries in the coming period.

Constitutional Court on Law on Internal Affairs (TB)

The Constitutional Court is again considering to review the provisions of the Law on Internal Affairs on retirement that provide for the police officers upon retirement to be granted a pension amounting to 80 % of the average net salary taking into account only the most favorable 10 years in the lifespan of their service. This provision differs from the provisions in the Law on Pension and Disabled Persons Insurance whereby, the other employees retire with at least at 62 to 64 years of age and the pension is calculated taking into account all years of service. This provides for a privileged status of ones over the others. The Constitutional Court is reviewing the retirement provisions under the Law on Internal Affairs for the second time after the Law was adopted in the Parliament.

Amendments to the law on electronic communications containing provisions on interception of communications enacted

Amendments to the law on electronic communications were enacted in June 2010, comprising, among others, technical provisions on the obligation of the telecommunication operators with regard to interception of communications. The provisions most contested by the civil society stipulate, among others, that the telecommunication operators are obliged to deliver traffic-related data upon request of the competent authorities in the course of pre-investigations or during criminal proceedings or when required by security and defence reasons. Operators are also obliged to provide "continuous and direct access" of the competent authorities to their electronic communication networks, as well as conditions for independent taking over of traffic-related data. The same is provided for the information on the geographical, physical and logistic location of the terminal equipment of the subscribers. Another controversial provision regards the period of time during which traffic-related data may be kept (i.e. 24 months).

During Parliamentary procedure, the Committee for the oversight of the use of interception of communications which has a composition dominated by the opposition parties issued a negative opinion on the amendments to law. The opinions of the

Committee are consultative. The amendments have raised very strong reactions from the NGOs and media, which claimed that the new provisions set up the grounds for arbitrary use of interceptions by the police. Helsinki Committee alleged that the amendments are in breach of the constitutional provisions guaranteeing the right to private life as they create the premise for circumventing the prosecutors' and judicial control requirements related to interception orders. The NGO sector (notably the Helsinki Committee, Transparency Macedonia and Metamorphosis) announced its intention to submit to the Constitutional Court a challenge of unconstitutionality of the new provisions on interceptions. In addition, the general public prosecutor, Ljupco Svirgovski, stated that the Ministry of Interior (MoI) is thus put in a privileged position as the only institution which is implementing interception orders, since the public prosecutors have no technical capacity to enforce the interceptions.

The Ministry of Transport and Communications, the MoI and the representatives of the Basic Public Prosecutor's Office for Fight against Corruption and Organised Crime pointed out that interceptions are regulated by the law on interception of communications and that the law on electronic communications sets up simply the obligations of the operators. According to the above-mentioned authorities, the law on electronic communications does not replace or add to any provision to the law on interceptions, i.e. no interception can be carried out without court or public prosecutor order. The law on electronic communications was adopted in 2005 and initially it comprised only one article referring to the obligations of the operators requesting the latter to provide adequate equipment and interface for the implementation of interceptions. The amendments to the law introduced more detailed provisions on the obligations of the operators and also provisions which were meant to ensure harmonisation with the law on interception of communications, since the latter was adopted after the adoption of the law on electronic communications (i.e. 2006 v. 2005). Before the enactment of these amendments MoI was confronted with some difficulties as regards the operators' responsiveness towards the interception requests (i.e. their obligations were not clearly set up in the law and therefore there were cases when for ex. the operators sent the traffic-related data to MoI after an excessive period of time when the information became obsolete for the investigations). The law on interception of communications stipulates that the operators have the obligation to provide data for the enforcement of interception orders, but nevertheless did not detail the methodology or the content of the obligation. The amendments first added to the article setting up the obligation of the operators to provide equipment and interface for enforcement of interceptions the wording "under the conditions laid down by the law" (i.e. the law on interception of communications). In the authorities' view, this covers all type of data and hence has to be interpreted as applicable to all articles of the law on electronic communications. According to the Ministry of Transport and Communications, all state institutions concerned by this law have endorsed the amendments, including the Directorate for Protection of Personal Data. The duration of the retention of traffic-related data (i.e. two years) was decided upon in compliance with Directive 2006/24/EC on data retention.

Analysis: The rules on authorisation of interceptions are comprised in the law on interception of communications which stipulates that all interceptions must be authorised either by a public prosecutor (i.e. when the perpetrator is unknown) or by the investigative judge (in all the cases where the perpetrator is known). Hence, all

interceptions carried out without court or public prosecutor order are illegal and cannot be used as evidence in criminal proceedings. The amendments to the law on electronic communications have not repealed the provisions of the law on interception of communications on authorisations. Consequently, according to the current legal framework all interceptions need to be carried out based on a court or public prosecutor order. The new article of the law on electronic communications setting up the generic obligation of the operators to provide adequate equipment and interface for the implementation of interception orders mention that this will be done "in a manner laid down my law" – i.e. the law on interception of communications. The same is being stipulated in the new articles which set the obligation of the telecommunication operators to submit to the competent authorities data on the location of the subscribers' technical equipment. The articles on the submission of the traffic-related data do not use the same wording, although it would have been recommended for more clarity to make a specific reference to the law on interception of communications.

The most disputable provisions are however the ones according to which "the operators of public communication networks and public communication service providers shall be obliged to provide the competent authorities continuous and direct access to their electronic communication networks, as well as conditions for independent taking over of traffic-related data." The article referring to the obligation of operators to provide adequate equipment and interface covers however all situations when MoI needs to gain access to the communication network and refers to the conditions laid down by the law (i.e. on interception of communications). In this regard, the authorities consider that this general article covers all situations for the transmission of any type of data to the MoI (i.e. content of communications, traffic-related or location) and that there was no need to repeat in all other articles that the transmission of these data from the operators to the MoI is done according to the law on interceptions (i.e. since this is implied by the wording of the general provision). However, the very wide and ambiguous formulation of the provisions on access to network may lead to abusive use of interceptions by the police or by the operators. This might be even more confusing since for some articles like the ones covering the data on location there is an express reference to the conditions of the law (i.e. on interception of communications) while for the article on access to network this reference is omitted. Mention should be made that the interception equipment is placed solely within the MoI which is the only institution that implements the interception orders (i.e. the competent authority as referred to by the law on electronic communication). This indeed puts the MoI in a privileged position as opposed to other law enforcement agencies which are entitled according to the law to perform interceptions. According to the law on interception of communications, Customs Administration and Financial Police would also be entitled to implement interceptions, but they have no equipment to apply such investigative measures. Public prosecutors do not have interception equipment at their disposal either. The ambiguous legal wording in the law on electronic communications which refers to "continuous" and "direct" access to the communication networks may create the premise for an even more uneven distribution of powers among the law enforcement agencies as far as interceptions are concerned. As regards the "independent" take over of traffic-related data by the MoI, mention should be made that even before the entry into force of this law interception of communications were being carried out by two modalities: either through the operator or through direct access of the MoI (i.e. with their own equipment) to the communication networks (the latter being most frequently used, since it is the

safest to avoid any possible leak of information and since MoI is endowed with its own equipment and has staff specialised on these matters). In this context, "conditions for independent taking over of traffic-related data" refers to this latter modality of implementing interceptions.

As regards the duration for retention of data, mention should be made that the Directive 2006/24/EC on data retention provides that Member States shall ensure that all categories of data covered by the Directive (including traffic-related data) are retained for periods of not less than 6 months and not more than two years from the date of communications. In the amendments to the law on electronic communications the period for retention of traffic-related data is of two years.

The statement of the general public prosecutor regarding the privileged position of the MoI strengthened by the new legal framework although it rather refers to the law on interception of communications and not to a new situation created by these recent amendments to the law on electronic communications confirm the tensions between these institutions regarding the shift of powers which is envisaged by the draft new law on criminal procedure. According to the last version of the draft law, the leading role in pre-investigation phase will be taken over by the public prosecutors. Currently, police has a dominating role in pre-investigation phase, illustrated, among others, by the use of interception equipment.

US State Department Report on Combating Human Trafficking(RST)

The US State Department Report on Combating Human Trafficking noted that the country regressed in this area, returning to its position of two years ago, i.e. in the Tier 2 group among the countries that work insufficiently on combating trafficking in human beings. The report points out that the former Yugoslav Republic of Macedonia is a source, transit, and destination country for trafficking of women and children, subjected to prostitution and forced labour. In 2009, internal trafficking of women and children has registered an increasing trend. Women from Albania, Bulgaria and Kosovo were also reportedly subjected to forced prostitution or forced labour in the country or were being sent to South, Central and Western Europe. Girls were mostly subject to forced labour in bars and nightclubs. A particularly vulnerable group is that of the Roma children who are obliged to beg by their parents and relatives. A small number of men were allegedly subjected to forced labour in Azerbaijan. Traffickers continued to operate in more hidden, private sectors in an attempt to conceal their exploitation of victims from the law enforcement agents.

Analysis: In 2009, 17 persons were prosecuted for trafficking of 8 victims, of whom 7 minors. Court proceedings are ongoing for these cases. Also, in 2009, 70 people were prosecuted for smuggling of migrants, as compared to 160 in 2008. Of the total of 70 offenders reported in 2009, the first instance courts convicted 47 offenders to imprisonment and for the remaining 23 court proceedings are ongoing. A decrease of about 20% of discovered trafficking in human cases and 34% of smuggling of migrants cases was noted in 2009 as compared to 2008. Detection of labour exploitation cases remains a challenge and further joint trainings for labour inspectors, law enforcement agents, prosecutors and judiciary are needed. Some steps were taken to set up a national shelter for admission and care of victims of trafficking. The national shelter will accommodate only national victims and not foreigners, the latter being accommodated

in the centre for foreigners. This raises some concerns about the guarantees for an equal and adequate treatment of victims of trafficking and human rights standards. The National Commission for Combating Trafficking in Human Beings and Illegal Migration had less frequent meetings in the last year.

Immigrants smuggling attempt prevented (PH)

The border police prevented an attempt of smuggling illegal immigrants by apprehending a 45-year old native of Skopje at the entry of the city of Prilep for a routine document check. The man was transporting five Afghan nationals who had illegally entered the country. It is likely that the immigrants entered the country via the border with Greece, in the direction of a western European state. Criminal charges were announced against the smuggler.

48 persons apprehended for smuggling of cultural heritage assets (RST)

48 persons, including police officers, businesspersons, directors and municipal counselors were apprehended in the operation "Phalanx" for smuggling of cultural heritage assets. So far criminal charges were pressed against 29 persons for smuggling cultural heritage assets and organised crime. The police found in the homes of the organised criminal group more than 3,000 coins, over 20 different figurines made of stone, bronze, copper and marble, a large number of ceramic, copper and brass dishes, as well as more than 16 pieces of jewellery. The perpetrators organised excavations at several archaeological sites in order to smuggle the discovered pieces. According to the initial findings, valuable archaeological and ethnological material dating from the period between 8th century BC and 12th century AD were smuggled.

Heroin smuggling ring discovered by police in Struga (RST)

Police apprehended three persons who were part of an organised group for smuggling heroin towards Western Europe. 2 kilograms of heroin were seized. Five persons who were also part of the organised criminal group are still at large.

Drug traffickers under international arrest warrants apprehended at border crossing points (RST)

Police detained two drug traffickers against whom international arrest warrants had been issued. The police detained the two persons at the Kafasan and Morina border crossing points.

Analysis: In 2009, drug seizures followed an increasing trend in terms of quantity, including a number of police operations by which some international channels of the Balkan route for trafficking in drugs have been annihilated. However, the overall quantity of seized drugs remains rather low. The human resources capacity of the MoI and the level of coordination between central, regional and local levels are insufficient.

CHAPTER 25: SCIENCE AND RESEARCH

No developments to report.

CHAPTER 26: EDUCATION AND CULTURE (IJ)

Language of class records

The government agreed to amend the Law on primary education to regulate that the class records will be held only in the language of instruction.

Analysis: Earlier this year, Parliament enacted amendments to the Law on primary education which stipulated that the class records will be held in the language of instruction and in the Macedonian language. However, this led to protests by those schools where Albanian is the language of instruction as earlier practice has been that the class records are held only in the language of instruction.

The Constitutional Court to assess the legality of the decision for Macedonian language classes for the minority first graders

Upon the initiative launched by Albanian NGOs, the Constitutional Court has decided to instigate a procedure for examining the compliance with the Constitution of the decision of the Minister of Education and Science to introduce mandatory Macedonian language classes for pupils belonging to smaller ethnic communities as of the first year of education. The Court preliminarily considers that such a decision (which has stirred tempers among the ethnic Albanian community) can only be taken by Parliament and not by the Ministry of Education and Science. According to the Constitutional Court judges, the Law on Primary Education of 2008 envisaged that Macedonian language should be taught as of the fourth grade. The decision for introduction of Macedonian language for all ethnic communities as of the first-grade was adopted at the start of school year. (See PAR January 2010, October 2009)

Cooperation with the Croatian Ministry of Education

The Ministry of Education and Science will co-finance seven joint scientific-research projects with Croatia with value of around 4.2 million MKD (approx. €70,000), in the framework of the bilateral cooperation program between the two countries in the field of science, technology and education 2009-2012. The cooperation will cover areas such as medicine, seismology, agriculture, veterinary medicine, mathematics, IT, and culture.

University opportunity for adults

The Ministry of Education and Science in cooperation with the public universities has decided to open enrolment to the 1st year of university education to adults with the start of the upcoming academic year. This proposal of the Ministry of Education is dedicated to citizens older than 45 for men and older than 35 for women who for various reasons have not been able to register at university or have had cut their university studies short.

Corruption in education

According to research conducted by a NGO there is a high level of corruption in the education sector. The research has shown that 60% of the respondents think that corruption is present in the education sector. This is confirmed by previous research. In this context, an anti-corruption office was opened at the Faculty of Economics of Skopje University with the aim to tackle the corruption cases in the faculty. The Ministry of Education and Science plans to open such offices at all Skopje University's faculties

giving students the opportunity to anonymously file corruption reports, which the Ministry would afterwards forward to the competent institutions.

Decree on allocation and storage of textbooks adopted

The Ministry of Education and Science adopted a decree on the manner of allocation and storage of textbooks. The Parliament also enacted amendments to the Law on textbooks in primary and secondary education.

Decree on calculation of grants for cultural institutions

The Government adopted a decree on the calculation of block- and earmarked grants for financing cultural activities in municipalities in 2011. The grants are used for salaries and social contributions for employees, and for maintenance of cultural institutions.

Analysis: Block grants are given to those municipalities to whom the founding rights of cultural institutions have been transferred and to those municipalities that have entered the second phase of decentralisation. Earmarked grants are given to those municipalities that have not yet been able to enter the second phase of decentralisation.

Law on managing the cultural heritage in Ohrid

The Parliament enacted the Law on managing the world natural and cultural heritage in Ohrid. The law regulates the management of the cultural heritage present in Ohrid as registered by UNESCO and it assigns the rights and responsibilities to relevant authorities, including to the municipalities of Ohrid, Struga and Debarce with regard to the management of cultural sites that are under UNESCO's protection.

World conference on inter-religious dialogue in Ohrid

The 2nd world conference on inter-religious and inter-civilisational dialogue organised by the Ministry of Culture under the auspices of UNESCO took place in Ohrid. The first world conference was held in 2008. *See also Political criteria, freedom of religion section.*

Cultural cooperation agreement signed with France

The Ministry of Culture signed an agreement on cooperation in sphere of culture with the French Ministry of Culture and Communications. The agreement opens the possibility for mutual projects.

Skopje 2014

The first monuments foreseen in the controversial government project 'Skopje 2014' were placed on the capital's main square. The 5-meter-tall sculptures of revolutionaries Goce Delčev and Dame Gruev are the first two of the planned 17 sculptures that Centar municipality is planning to erect in Skopje downtown area, including presumably the one of Alexander the Great. The memorial of the country's first President Metodija Andonov-Cento was also placed in the square. Memorials of eminent ethnic Albanians are also expected to be placed in the square following on agreement between the government coalition parties. Meanwhile, the Constitutional Court launched a procedure for assessing the legality of the decision for amendments to the detailed urban plan.

As a result of the review, the Constitutional Court temporarily banned the implementation of part of the 'Skopje 2014' project. The Court established that the changes that the Municipality of Centar had made in the urban plan in order to allow construction of part of the objects foreseen under the project were done in a shortened procedure instead of a regular one. It is now up to the Municipality to decide whether it will give up the construction of these objects (a multi-storey car park, a triumphal arch, and a bridge) or it will adopt a new urban plan following the regular procedure.

Prilep mosque

The Islamic Religious Community and the Ministry of Culture have signed an agreement to reconstruct the cultural site Charshi Dzamija (Mosque) in Prilep, ruined during the 2001 conflict. The Prilep Mosque will be used as religious site and art gallery. The reconstruction will be based on the 2006 project of the National Conservation Centre and is expected to be completed within three years.

Analysis: While initially opposed to the reconstruction project, the Government finally agreed to it in exchange for the participation of the Islamic Religious Community in the second world conference on inter-religious and inter-civilisation dialogue held in Ohrid. This project will complete the reconstruction process following the 2001 conflict and is therefore expected to contribute to a strengthening of inter-ethnic confidence.

CHAPTER 27: ENVIRONMENT (TA/MBZ)

Legislation

The Law amending the Water Law was adopted by the Parliament, aiming at revision of the start date of implementation of the law to 1.01.2011.

Other developments

A regional conference for Balkan and neighboring regions on biodiversity conservation was held in Mavrovo on 28 June. A common declaration for biodiversity conservation and sustainable development principles and climate change conditions was agreed.

CHAPTER 28: CONSUMER AND HEALTH PROTECTION (ALA)

Rulebooks enacted

The following Rulebooks were enacted:

- Rulebook on imunoprophylaxis, hemioprophyllaxis, persons subject to there measures, manner of record-keeping and documentation;
- Rulebook on treatment of rare diseases.

CoE Development Bank Funds for Reconstruction of Public Health Institutions

The government borrowed €23 million from the Council of Europe (CoE) Development Bank for upgrade of the state-owned hospitals. The CoE loan will cover the financing of the first phase of the hospitals modernisation project. The loan repayment deadline is 20 years including a five-year grace period with a variable interest rate, which currently amounts to 1.2% per year. The second and third phases are estimated to cost €130-150 million.

Ministry of Health signs Agreement for Procurement of IT Equipment

The Ministry of Health signed an agreement with three companies for the procurement of 1,700 computers, printers and other hardware and software, which will link health institutions, thus enabling direct communication with the Ministry and the Health Insurance Fund. The investment, worth US\$2.7 million, is funded from a World Bank loan.

E-health Card Pilot-Project Launched

The e-health card implementation was launched in 12 doctor's practices. The practices are part of the three-month pilot-project for the e-health card (EHC) and Integrated Health Information System (IHIS) implementation. The e-health cards will be applied solely in the 12 practices over the next three months and they will be available for Skopje patients as of 2011 and eventually for other cities throughout the country.

Analysis: The project should be completed by the end of next year. The EHCs should facilitate the operations of doctor's practices, increase the service quality and improve the information flow within the healthcare system.

Health Ministry and NFT Sign Memorandum of Cooperation

A cooperation agreement was signed between the Ministry of Health and the National Foundation for Transplants (NFT). The agreement defines the framework for joint health care projects in the area of human organs transplants, facilitation of organ or tissue transplants and adoption of a new law in line with EU standards.

Analysis: The National Foundation for Transplants is a very active NGO in the region. Through this collaboration agreement NFT and MoH will, among other things, work jointly to amend the current law on transplants in order to align it with EU standards. The current text of the Law on Transplants, adopted in 1995, stipulates, for example, that every citizen who has not clarified that she/he will give organs is considered a potential donor. The collaboration aims also at establishing a list of explicit donors, a legislative framework and implementing legislation in line with the EU standards.

CHAPTER 29: CUSTOMS UNION (EB)

New ICT Strategy of the Customs Administration adopted

The Customs Administration has developed and adopted a new ICT strategy, which sets the ground for ICT services and integrated IT environment in accordance with EU standards. The strategy aims to support the business strategy of the customs administration, support the economic operators, provide for quality risk-management, and provide conditions for higher standards of work performance. In addition, a Strategy for Interoperability with the EU customs systems was prepared, as an integral part of the ICT Strategy. The Strategy outlines the plans for development of a number of customs systems in the area of transit, tariffs, tariff quotas and surveillance, excise management and control, etc., which will be able to interconnect with the respective EU systems.

EORI becomes mandatory requirement for economic operators

Registration in the Economic Operator Registration and Identification (EORI) system became mandatory as of 1 July 2010 for third-country operators engaging in economic activities with operators from the EU. The operators shall request an EORI number before performing customs activities in the EU from the relevant authority in the EU Member State where they first engage in such activities. The EORI system has already been in use in the former Yugoslav Republic of Macedonia for transit, since its introduction in the EU on 1 July 2009. It is expected that there will be no difficulties in EORI implementation for the other economic activities, in addition to transit.

CHAPTER 30: EXTERNAL RELATIONS

No developments to report.

CHAPTER 31: FOREIGN, SECURITY AND DEFENCE POLICY (PH)

Chairmanship of the Council of Europe committee of Ministers

The country took over the chairmanship of the Council of Europe Committee of Ministers from Switzerland for the next six months (from May to November 2010). The key priorities of the country's chairmanship programme will focus on three thematic areas: strengthening human rights protection; fostering integration while respecting diversity and promoting youth participation. The new chairmanship will hold a series of events throughout its tenure to promote these priorities. In this light, a conference entitled "Strengthening the cohesion of European societies: effective participation of persons belonging to national minorities in the decision-making process" took place on 7 -8 of June in Skopje (for more details see *Minority rights, protection of minorities and cultural rights*).

Analysis: The country adhered to the Council of Europe (CoE) on 9 November 1995. So far it ratified 86 CoE conventions and signed another nine which are still to be ratified. Among the conventions ratified by the former Yugoslav Republic of Macedonia are: the European Convention on Extradition, the European Charter of Local Self-Government, the European Convention for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment and the Criminal Law Convention on Corruption. The last to date convention ratified by the country was the Protocol No.14bis to the Convention for the Protection of Human rights and Fundamental Freedoms (in April 2010).

Amendments to the Law on weapons enacted

The Parliament enacted via shortened procedure amendments to the Law on Weapons which extend the deadline for replacement of existing licenses for possession and carrying weapons with another 7 years. According to the existing statistical data, only 5% of the legal weapons have been re-registered in the course of the last three years.

Cooperation agreement signed with Poland

On 21 of June, Minister of Defence Zoran Konjanovski and Polish ambassador to the country Karol Bahura signed an agreement for cooperation in the field of defence between the two countries. The Agreement foresees deepening of the cooperation through direct meetings of the Defence Ministers, heads of Army staff and commanders as well as exchange of experience at expert level, politico-military consultations,

participation in peacekeeping and humanitarian operations, organisation of seminars, etc.

CHAPTER 32: FINANCIAL CONTROL (MT)

Parliament enacted the law on audit of IPA. The law established the Audit Authority as an independent body from Ministry of Finance and the State Audit Office. The law regulates the subject of the IPA audit, basic principles which govern the audits under IPA, the organization and the performance of audits by the IPA Audit Authority, the statute of the auditors, as well as other issues related to the coordination of the audits.

Analysis: The law does not define minimum specific requirements (as in the case of the SAO law) for the auditors. The Head of the Audit Authority is appointed by the Government and not by Parliament. Audit Reports are not submitted to Parliament. In light of this further assessment may be needed to determine how the IPA law is being implemented in practice.

Law on State Audit Office amended

Parliament enacted the amended law on State Audit Office (SAO) leading to strengthened financial and functional independence of the SAO.

Analysis: The amended law on SAO requires the SAO to send its audit reports to Parliament, but it does not define a procedure outlining how Parliament should deal with the reports.

Strategy for development of the Public Internal Financial Control (2010 – 2012) adopted

The Strategy for Development of the Public Internal Financial Control (PIFC) (2010 – 2012) was adopted in June 2010. The strategy aims to act as the overall guide to PIFC development over the coming three years.

Analysis: The Strategy for development of PIFC does not address all recommendations provided by DG Budget in February 2010: for example, it does not present a clear vision and detailed steps of how to achieve full implementation of PIFC, especially regarding key activities, such as acceptance of the principle of managerial accountability, operation of the proposed Financial Affairs Units, and certification of Internal Auditors.

International Standards on Auditing and Code of Ethics for Professional Accountants adopted

The Ministry of Finance adopted a set of International Standards on Auditing and a Code of Ethics for Professional Accountants. The published standards follow the standards developed by the International Federation of Accountants (IFAC).

CHAPTER 33: FINANCIAL AND BUDGETARY PROVISIONS

No developments to report.