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**GOVERNMENT SUGGESTS TERMINATION OF CONTRACT FOR SALE OF NOVA MAKEDONIJA**

The Macedonian Government recommends termination of the contract for sale of Nova Makedonija publishing house signed with Slovenian company Jug Services, because "the buyer did not comply with its obligations." "According to unofficial information, the company Jug Services was established 10 days before the signing of the contract. However, the accusations against the GM of Nova Makedonija refer to the fact that he signed some sort of contract with the GM of Jug Services and the GM of Zum promotion company for re-qualification of 650 Nova Makedonija's workers, who turned out to be surplus in the company," governmental spokesman Saso Colakovski said Monday.

He said that re-qualification of the workers was to be paid by Nova Makedonija, which would cost Euro 25,000 per worker, or Euro 4.5 million in total. "If a court procedure is started due to one-sided termination of the contract, the state will bare the consequences and the government is aware of that," Colakovski said.

"Macedonia cannot be brought before an international court for the terminated contract for sale of Nova Makedonija publishing house," Macedonian Minister of economy Ilija Filipovski said at a press conference. As Filipovski reported, the Privatization Agency transferred 132 million denars on the account of Nova Makedonija for payment of salaries to the employees. These funds were transferred on an account in Tutunska Banka. However, in order to hide the traces, Jug Services transferred the money on private account in Rado Bank, brought them back in Tutunska Banka and used them to buy the stocks of Nova Makedonija worth Euro 2.3 million.

Based on these facts, the Public Prosecutor's Office is obliged to urgently cancel the contract for mortgage and the contract for re-qualification of Nova Makedonija's workers and to inform the buyer that the contract for sale is invalid. After everything is completed, Filipovski said, the Privatization Agency ought to launch

activities to open new tender for sale of the Nova Makedonija stocks.

#### **AVERAGE NET SALARY IN SEPTEMBER - 11,536 DENARS**

The average net salary in September of this year was 11,536 denars, which represents nominal decline of 1.1 percent and real fall of 1.5 percent compared with August. The average net salary compared with September 2001 is higher by 8.7 percent in nominal values and by 7.5 percent in real values. According to the data from the State Statistics Bureau, 25.4 percent of the workers in Macedonia did not receive their September salaries.

#### **MACEDONIA TO GAIN EURO 20 MILLION IF IT SIGNS NEW AGREEMENT WITH IMF**

If the Macedonian Government signs new agreement with the International Monetary Fund (IMF), the European Commission will immediately approve € 20 million, as financial assistance for Macedonia, Euro-Commissioner for External Relations Chris Patten said after the meeting with Prime Minister Branko Crvenkovski on December 6, 2002. Patten said that if Macedonia meets the conditions three months after the signing of the new agreement with IMF, the European Commission would approve additional € 26 million. According to him, the money is only part of the financial assistance aimed for economic and political stabilization of the country.

"Your Government faces difficult challenges and we want to help." Patten said. He pointed out that EU would assist to Macedonia in the implementation of Ohrid Agreement and the Stabilization and Association Agreement signed with the Union. "I am sure that it is clear to the political parties - signatories of the Ohrid Agreement that they are obligated for its full implementation," Patten said, adding that he would convey this message to President Boris Trajkovski.

Crvenkovski said that the Macedonian Government was firmly committed for integration in the European Union, emphasizing that this was not only declarative, but also a fundamental commitment. "We expressed our readiness to meet the obligations arising from SAA, which were not realized in the past due to objective or subjective reasons," Crvenkovski emphasized.

He thinks that Patten is visiting Macedonia in the right moment, "to state clearly the commitment and engagement of Brussels in stabilizing the situation in Macedonia.

"We expect that EU Summit in Copenhagen will not be an end, but on contrary it will be a beginning of another process. The most important thing for Macedonia and the other countries in the region is to know that they have clear perspective and fair chance for EU accession," Crvenkovski said.

In that context, Macedonia is obligated to eliminate OKTA's monopoly over oil import and the discriminatory approach toward other oil companies in the country. "We ought to do that, because both the Macedonian citizens and companies suffer damages. The Government is determined to overcome this problem with minimal consequences," Crvenkovski said.

#### **PARLIAMENT ADOPTED BUDGET REBALANCE**

On December 6, the Macedonian Parliament adopted a rebalance of the budget 2002. The ruling Social-Democratic League (SDSM) says it is a forced measure for covering of the budget deficit at about Denar 4.4 million - an inheritance of the former government. "A state with empty budget and individuals with full pockets are the results of unlimited spending," SDSM parliamentarian Jani Makraduli said.

#### **NETHERLANDS TO GRANT EURO 17 MILLION TO MACEDONIA**

Macedonia will obtain the promised Euro 17 million from the Dutch Government, after the signing of arrangement with the International Monetary Fund, Dutch Minister for Development Cooperation Agnes van Ardenne said after the meeting with Finance Minister Petar Gosev. According to her, the funds were not realized due to the "current circumstances" in the country. The forthcoming agreement with IMF is to be signed at the beginning of February 2003, which according to Gosev will be an important signal for the international creditors and investors in Macedonia.

The ministers discussed the cooperation between the two countries and the unemployment problem in the country. Gosev informed about the activities that would be undertaken by the Macedonian Government in order to deal with the deficit and to create balanced budget, while the Dutch part has offered technical and expert assistance. According to Ardenne, Netherlands will continue to support the country, not only financially but also through establishing expert teams for education and exchange of experience.

## **MEDF SIGNS CONTRACT WITH DUTCH GOVERNMENT WORTH EURO 5.6 MILLION**

Dutch Minister of Development and Cooperation Agnes van Ardenne and representative of the Macedonian Enterprise Development foundation Saso Klekovski signed a contract for financial support for the MEDF for the next four years. According to the contract, Netherlands will donate Euro 5.6 million to the MEDF, out of which Euro 4.9 million will be used for financial, and Euro 770,000 for non-financial services.

General purpose of this organization is to support the possibilities for employment and development of the micro and small businesses. Its target group includes individual farmers, unemployed persons and small entrepreneurs and their staff. According to the strategic plan for 2002-2006, the MEDF, besides the existing, will also include new services for its users: capital support for the micro-financial institutions, co-financing of banks and will also establish a guarantee fund.

## **FINEXPO 2002 HELD IN SKOPJE**

Deputy Finance Minister Dimko Kokarovski opened the First International Fair of Finance and Business Opportunities FINEXPO 2002, which was held under the motto "The Future is a Challenge" from December 9 - 11 in Skopje. Kokarovski welcomed the initiative for organizing the fair and expressed hope that the financial experience, presented in the three days, will contribute toward the Macedonian reforms, as well as the creation of contemporary monetary, fiscal, credit and banking system compatible with the one of the European Union.

Speaking of the financial reforms aimed at enhancing the trust of the citizens and legal entities in the financial markets and institutions, he said that in order to achieve that goal it was necessary to develop adequate regulations, efficient control and supervision over the financial institutions, expert personnel in the banks and technical equipment. Kokarovski emphasized the significance of the reforms in the banking sector, adding that their transformation was not satisfactory.

The Fair presented Macedonia's financial supply, investment opportunities, services of the financial sector and promoted financial institutions to domestic and foreign companies and financiers. The fair comprised commercial exhibitions and educational presentations.

Several banks, saving banks, brokerage houses, business consultants, insurance companies, funds and foundations, state and international financial institutions, companies offering IT solutions for e-banking as well as publishers of professional and educational magazines and books were present at the fair. It is expected FINEXPO to become tradition with high reputation in the financial sphere, thus offering an affirmation to the Macedonian companies.

#### **RETAIL PRICES HIGHER BY 0.3 PERCENT**

The retail prices in November increased by 0.3 percent in comparison to October, State Statistics Bureau announced. The index price in November compared to the same period in 2001 increased by 2.2 percent. The highest growth was registered in the group of agricultural products by 1.2 percent and beverages by 1.1 percent. The cumulative price index for the period January - November relative to the same period of previous year is higher by 1.4 percent. Inflation in November, measured by the index of costs of living, was 0.2 percent on monthly basis and 1.5 percent on annual basis.

#### **WORLD BANK WILL HELP MACEDONIA REDUCE POVERTY**

The World Bank (WB) has been working on a new three-year program for supporting Macedonia, which is the subject of WB talks with the Government, WB Director for Macedonia Christian Portman said on December 12, after a meeting with Prime Minister Branko Crvenkovski. The program will be completed in April or May next year, when the World Bank representatives will visit Macedonia again to set up the details, Portman said.

WB wishes to help Macedonia in poverty reduction, Portman said, expressing hope that implementing of the WB program, started with the former government, would continue. "Poverty in Macedonia is connected with the level of education and it should be attacked directly by certain social programs. If people are educated, they will be more productive and more successful in earning their own incomes. Educational and health care programs are necessary, thus enabling people to get out of poverty," he said.

"It means that for employing people, you should attract investments, create companies and climate for developing of the private sector. It is a two-way process - helping people to acquire education and to be able to take part in the economy, and creating conditions for them to apply their knowledge," Portman said.

## **CONFERENCE ON POVERTY REDUCTION STRATEGY IN MACEDONIA**

"According to the domestic criteria around one fourth of the population in Macedonia is poor, and according to the criteria and categorisation of the level of country development in the world, almost entire country is in poverty zone," Minister of Finance Petar Gosev said on December 13, in his address at Conference on Poverty Reduction Strategy in Macedonia, which took place in Skopje.

The reason for this situation is one-decade of political and security crisis in region and long-term abandonment of semi-market economy and implementation of the market economy, Gosev said. He also said that intensifying the reforms and improvement of the political and security situation in the country together with anti-corruption strategy are the fundamental priorities of the Government.

Poverty Reduction Programme of the Government includes creation of conditions for sustainable dynamic economic growth and opening new jobs, adjusting the fiscal position on long-term sustainable level and drastic increase of the efficiency of the private sector. All these will be realised with long-term realisation of the macroeconomic stability i.e. maintenance of relatively stable prices and policy-controlled low inflation and stable foreign exchange rates, Gosev stressed, adding that activities will be undertaken for increasing efficiency of the public administration and judiciary.

The World Bank Director to Macedonia Christian Portman hosted the conference, which included presentations of experts regarding the poverty problems in Macedonia, the key fields of action and next steps of the Government for preparing applicable poverty reduction strategy.

## **SHARES OF 11 COMPANIES TO BE OFFERED ON MACEDONIAN STOCK EXCHANGE**

The Board of Directors made a decision to offer the shares of eleven companies on the official market of the Macedonian Stock Exchange. The shares of RZ "Ekonomika" - Skopje, "Agroplod"-Resen, Fakom - Skopje, "Galeb" - Ohrid, "Ilinden" - Skopje, "Metalec" - Bitola, "Teteks-kreditna banka" - Skopje, "Fabrika za kvasac i alkohol" - Bitola, "Tutunski kombinat" - Prilep, "Ading" - Skopje and "Stopanska banka" - Bitola will be traded starting from December 18.

## **MACEDONIAN GOVERNMENT AND TRADE UNIONS SIGN SOCIAL AGREEMENT**

Macedonian Prime Minister Branko Crvenkovski and leader of the Trade Unions Federation (SSM) Vanco Muratovski signed Social Agreement, which is a framework for the future activities of the government and the union in resolving issues from economic and social sphere. Muratovski emphasized that SSM would not be just an observer but would actively participate in its realization and would stimulate the Government's members to respect the deadlines.

Crvenkovski said that the Government is committed to fulfill its obligations seriously and responsibly and expected the same from SSM. He said that "SSM gets an opportunity to be more influential, but will also have more responsibility for the overall politics and situation in Macedonia."

He thinks that "with the Social Agreement we promote the social partnership, not only as a policy for resolving the current problems, but also as a mechanism of cooperation for providing economic growth and development, fighting against unemployment, poverty, criminal and corruption, protection of the workers' rights and providing social and health protection."

According to the Social Agreement, the Government will reevaluate and will propose measures regarding the delayed implementation of the Law on mandatory fully funded pension insurance, will provide regular payment of salaries and fringe benefits, will find acceptable solutions for the reforms in the health sector, will encourage activities for signing collective agreements, will adopt a program for economic development and reducing the unemployment. In addition, according to the Social Agreement, the Law on loss-making companies will be discussed after the negotiations with the International Monetary Fund (IMF) and the World Bank.

## **MACEDONIA'S TRADE DEFICIT IN 2002 WILL BE AT US\$ 800 MILLION**

Macedonia's trade deficit for 2002 will reach to US\$ 800 million, Deputy Finance Minister Dimko Kokarovski said at the Economic Chamber session. "Lack of strategic export policy is one of the crucial reasons for such unfavorable situation. The Kosovo crisis and last year's conflict in

Macedonia also had negative effect on the export of Macedonian products," Kokarovski said.

The Government's long-term commitment is to expand and upgrade the production for export by liberalizing the foreign trade. Thus, the macroeconomic policy for 2003 will be focused on fostering the export activities. "Significance of the export is even greater considering its accession to the World Trade Organization. Balancing the first inflow of goods from WTO member countries will depend on the country's readiness for more aggressive presentation by better competitiveness of Macedonia's products," Kokarovski said.

He also considers that the Stabilization and Association Agreement and the Interim Trade Agreement with the European Union cleared the road for country's inclusion into global processes, which will enable presentation of the Macedonian products on the European markets.

#### **MINISTER OF LOCAL SELF-GOVERNMENT GESHTAKOVSKI'S INTERVIEW IN MIA**

In his interview for the Macedonian Information Agency (MIA) Minister of local self-government Aleksandar Geshtakovski said that the main priority of this ministry for 2003 will be establishing stable legal framework in the system of the local self-government. Here, he primarily refers to the Framework Agreement provisions, the Law on territorial division, Law on local self-government financing and the Law on city of Skopje.

He said that parallel to the change of regulation, activities for institutional strengthening of the municipalities will be undertaken in order to better responding to upcoming obligations. He emphasized that we should have multi dimensional approach to reviewing the territorial division in terms of determining the capacity of each municipality to carry out its authorities. According to him, the determination of municipalities will be made according to clear, precise and beforehand-determined criteria, distinctive for our country. Also, mechanisms, which will implement the new territorial division will be defined.

He concludes the interview by denying that the territorial reorganisation could result in cantonisation or federalisation of the country.

#### **MACEDONIAN STATISTICAL OFFICE HOLDS PRESS CONFERENCE**

By the end of 2002, it is expected the population in Macedonia to reach 2,049,000, increasing by 0.5 percent in comparison to last year, Director of the Macedonian Statistical Office Blagica Novkovska told the press at the press conference on December 19. The population growth rate is 1.1 percent.

The average net-salary in 2002 was Denar 11,237, increasing by 6.5 percent in comparison to last year. The employees in the financial sector receive the highest salaries and the employees in construction and textile industry the lowest.

The real growth of GDP was 0.3 percent, and the foreign trade exchange increased by 5.8 percent in comparison to the previous year. In addition, the export declined by 3.8 percent and the import increased by 12.3 percent, while the foreign trade deficit amounted to US\$ 784 million.

#### **MINISTER OF FINANCE GOSEV'S INTERVIEW FOR MIA**

Minister of Finance Petar Gosev sees requirements imposed by the IMF and the World Bank (WB) as necessary and says that it is in our interest to meet those requirements and to have sound fiscal policy, without deficit and without liabilities that cannot be covered. He expects by the end of January or at latest by February 5, to reach an agreement and to sign letter of intention, which should be approved by IMF Board.

On the question of the employees of loss-making companies, he replied that IMF and WB do not support the proposal of the Trade Union regarding the retirement of certain number of employees from the loss-making companies. He underlined that if we undertake such measure, then the agreement with IMF might be jeopardized. "It means that we will not get money for reforms in the administration, we cannot withdraw the money pledged at the donors' conference, the pledged US\$ 17 million from Netherlands and US\$ 26 million from the European Union. The problem of these people will not be resolved with the retirement, but other ways should be sought such as opening new jobs, stimulating the small companies and micro crediting."

According to Gosev, it is not exactly clear how much will the implementation of the FWA cost, and they will discuss this issue with the international community, hoping that it might provide funds for its further financing.

He said that this year's projected deficit was around 2 percent of GDP; however, after the rebalance of the budget that percentage rose to 3.6-3.8, excluding the certificates issued for compensation of TAT clients. With them, the deficit reaches almost 6 percent of GDP. It seems that the deficit increases every single day, because new liabilities emerge, which were not registered at the time when the rebalance was made.

On 2003 prospects he believes that if there is peaceful political and security situation, Macedonia can expect an economic growth of around 3 percent, inflation rate of 3 percent and revitalization of the economic activities. He thinks that the fight against corruption, the policy of saving, the climate for fair economic competition, the better functioning of the institutions and the rule of law can provide more optimistic future.

#### **FINANCIAL DUBIOUS IN MINISTRY OF FOREIGN AFFAIRS**

The new leadership in the Macedonian Ministry of Foreign Affairs (MFA) discovered financial dubious, and suspended two employees for that respect. The financial analysis performed by the state audit and commission from the Ministry of Finance revealed that substantial amounts of money were paid for various procurements, which were not in compliance with the legal procedure, for dinners and traveling. Money was also granted on the grounds of statements instead of appropriate documents, the analysis disclosed.

The total amount paid for travel expenses was between US\$ 150,000-200,000 and MFA had to pay about Euro 500,000 for unpaid membership fees in several international organizations.

Macedonian diplomatic and consular offices should also submit the financial reports in January. MFA has indications that some embassies worked carelessly and have not submitted the financial reports for 2002. It will categorize the consular offices and priority will be given to those in the neighboring countries, USA, European Union and some of its member-countries, Russia and China and will work on enhancing their economic sectors. It is expected diplomatic office to be open in Australia.

#### **FRENCH PARLIAMENT TO RATIFY MACEDONIA-EU SAA NEXT MONTH**

The French parliamentary Committee on Foreign Policy drafted a law on ratification of the Stabilization and

Association Agreement (SAA) between Macedonia and the European Union, Committee chairman Edouard Balladur told Macedonian Foreign Minister Ilinka Mitreva at their meeting in Paris. The French Parliament is expected to discuss the law on January 16, 2003, Balladur said. He reiterated French readiness to support Macedonia and the countries in the region in meeting their strategic goals - membership in the EU and NATO.