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ROUNDTABLE ON PROPOSED CHANGES OF LAW ON TRADE COMPANIES

In organization of the Skopje Regional Chamber, and in cooperation with the project for Corporate Management, a roundtable on the draft-Law on trade companies was held in Skopje on July 1. Greater protection of minority shareholders, increase of responsibilities of managers, as well as radical changes in the registration of trade companies are part of the novelties in the draft-version of the Law, which was presented by the members of the working group of the Ministry of Economy, who took part in the preparations of the draft-law.

The changes allow investors insight in the operations of the company in which they want to invest. Also they envisage introduction of a one-counter system for registration of trade associations, and the registration could be done in 16, instead of only 3 courts, or in the 30 offices of the Central Register. These changes of the Law are in compliance with the new Statute of the European Association and the Action Plan on Corporate Management of the European Union.

PM CRVENKOVSKI MET THE WORLD BANK PRESIDENT

During the International Conference on Roma Rights in Budapest, Macedonian Prime Minister Branko Crvenkovski met with the World Bank President James Wolfensohn. Wolfensohn was impressed by Macedonian activities aimed at dealing with Roma issues. Regarding the cooperation between Macedonia and the World Bank, Wolfensohn fully supported the ongoing projects and the strategy for the period 2003 - 2006, for which he announced that US\$ 165 million would be provided. The period since the signing of the stand-by arrangement with the International Monetary Fund and realization of FESAL 2 arrangement was assessed as a period in which a significant progress has been made in Macedonia.

GOVERNMENT SUPPORTS FOUNDING OF AGENCY FOR FOREIGN INVESTMENTS

The GOM adopted a proposal for founding an Agency for foreign investments and support of entrepreneurship,

which will provide opening of the economy to foreign investments and equal treatment of domestic and foreign investors. The Agency will also contribute to increase competitiveness among small companies in compliance with the European Commission Charter on Development of Small Companies.

GDP RISES 2.2 PERCENT IN FIRST QUARTER OF 2003

The State Statistical Office announced that the real Gross Domestic Product (GDP) in the first quarter of 2003 increased by 2.2 percent on annual level. The costs of living are at the same level as in 2002, while the index of retail and wholesale prices increased by 2 and 1.5 percent, respectively.

MACEDONIA TO HAVE OVER 60 MUNICIPALITIES, MINISTER GESTAKOVSKI SAYS

Minister of Local Self-government Aleksandar Gestakovski said that according to the criteria of the Ministry the number of municipalities in the country would be reduced from 123 to about 60. "There are six to seven criteria according to which the expert teams assess the municipalities," Gestakovski said, adding that there was no threat of deepening the ethnical divisions with the new territorial division.

"The development of local self-government is of vital importance for citizens' participation in the overall democratic process in Macedonia, especially in respecting the identity of ethnic communities and their cultural, religious and other identity," Gestakovski said. He explained that the City of Skopje would be organized differently, because there is two-instance organization in this municipality. "We have City of Skopje on one hand as well as municipalities on the other, while in the rest of Macedonia we have one-instance local self-government, which does not allow federalization and regionalization," Gestakovski said.

GOSEV: ECONOMY SAVES EURO 50 MILLION DUE TO GOVERNMENT POLICY

In the first half of 2003, a total debt of companies was reduced by Euro 50.4 million in comparison to the same period last year due to discipline fiscal policy, Minister of Finance Petar Gosev said at a press conference. The budget revenues are higher than projected by Euro 9.6 million, while the expenditures are lower by Euro 46 million.

Such policy also affected the average inflation rate, which was at 0.3 percent in the first half of 2003. The low inflation rate was also a result of a stable domestic currency, Gosev said. "We have good economic results so far. The International Monetary Fund and the World Bank have transferred US\$ 75 million, which is a proof that Macedonia has been meeting the agreements with these financial institutions," Gosev said.

PRO-BUSINESS BANK FOR MICRO FINANCING OPENED

The Governor of the National Bank of Republic of Macedonia issued a permanent license to the Pro-Business Bank on July 3, which will help the development of small businesses in the country. The Bank is established by the European Bank for Reconstruction and Development (EBRD), which owns 51 percent of the capital, International Micro-finance Institution (IMI), which has 19 percent and the German Development Bank KfW from Frankfurt with 31 percent of the capital.

In the first week the Bank approved 50 credits amounting to Euro 223,000. Pro-Business Bank provides credits and banking services to Macedonian companies and businessmen. The full range of banking services will be available in August, while the official opening is scheduled for September. In the beginning, the Bank will approve credits amounting to Euro 100,000.

LUXEMBOURG AND ITALY RATIFIED MACEDONIA - EU SAA

Macedonian Ministry of Foreign Affairs informed the public in a separate press releases that in July Luxembourg and Italy ratified the Stabilization and Association Agreement (SAA) between Macedonia and the European Union. So far, thirteen EU members have ratified the agreement, while the ratifying procedure in the remaining two countries Belgium and Finland is underway in their Parliaments.

MACEDONIA AND EBRD SIGN LOAN AGREEMENT ON ROAD INFRASTRUCTURE

Macedonian Minister of Finance Petar Gosev and the First Vice President of the EBRD Noreen Doyle, signed Agreement on Guarantee under the Loan Agreement on construction of Skopje ring road and Smokvica - Gevgelija section amounting to Euro 40 million. Euro 30,8 million would be used for constructing the second stage of Skopje ring

road, while Euro 9,2 million for Smokvica - Gevgelija highway.

Doyle expressed satisfaction over the first credit provided for development of road network in Macedonia, which would promote two international corridors - the section from Smokvica to Gevgelija, which is part of Corridor 10 and the western section of Skopje ring road, which is part of Corridor 8. He thanked the donor countries for their contribution in the project, emphasizing that France and Britain have granted money. France will be also involved in the implementation stage, along with Italy, which is joining the project through the Central European Initiative, while the United States has agreed to provide the necessary funds for monitoring the environmental protection.

Expressing his satisfaction over the signing of the agreement, Minister Gosev said that this was continuation of the good cooperation with EBRD since 1993 and the Bank has already invested Euro 280 million in the country. "The provision of continuous credits does not mean only economic support of Macedonia, but also direct political support of country's integrity and a message that we are a country with a perspective," Gosev said. According to him, this claim is confirmed by the fact that this respectable European institution was not afraid to approve credits with 15-20 years of reimbursement period.

CRVENKOVSKI ON DECENTRALIZATION

Referring to a draft-law on territorial division, Crvenkovski said it would neither displace people nor lead to artificial change of the ethnical structure of municipalities. "So far, the discussions include initial ideas, because even the first law's chapter has not been defined yet. We are in a stage of coordinating positions, as there are differences not only with the opposition party VMRO-DPMNE, but also with the coalition partners LDP and DUI," Crvenkovski said.

In regard to DPA and PDP idea for self-determination of ethnic Albanians in Macedonia, Crvenkovski said it was not a result of some political creativity but a proof that those parties were in lack of political ideas. "In order to attract attention they are turning to radicalism, risking not only to be defeated, but to vanish from the political scene," Crvenkovski said.

MACEDONIAN BANK AND RUSSIAN INSURANCE COMPANY SIGN TWO AGREEMENTS

Macedonian Bank for Development Support (MBPR) and Russian insurance company "Ingostrah" signed two agreements on cooperation and facultative reinsurance in accordance with decisions of the Macedonian-Russian intergovernmental commissions on economic, scientific and trade development. According to the agreement signatories, Vjacheslav Scherbakov - "Ingostarh" President and Ilija Iloski - MBPR Director, these documents will simplify the exchange of goods and service between Macedonian and Russian companies. Expectations are that the export of Macedonian products in Russia will be increased, which will reduce the country's trade deficit with Russia. Macedonian companies will also have insurance of their export in Russia and all former USSR republics.

PARLIAMENT ADOPTED CHANGES TO THE LAW ON PROFIT TAX

Macedonian Parliament adopted Tuesday the changes and supplements to the Law on Profit Tax, aimed at increasing the volume of production, opening new jobs, stimulating the export and overall development of the country. Minister of Finance Petar Gosev said that the tax would be reduced by 30 percent for taxpayers investing over Euro 100,000 in movable or immovable property. He added that the experts assessed this law as very "generous," because the state would give up from a large share of its income. Because of its special status, the National Bank will be exempted from paying the profit tax.

EU GRANTS EURO 38.5 MILLION TO MACEDONIA THROUGH CARDS PROGRAM

Macedonian Vice-Prime Minister Radmila Sekerinska and the head of the European Commission Delegation to Macedonia Donato Chiarini signed an agreement on the European Union's grant of Euro 38.5 million to Macedonia for 2003 through the CARDS program. Three million were aimed for development of democracy and rule of law, 20 million for economy and welfare system, 12.5 million for judiciary and internal affairs, and 1 million for environmental projects, Sekerinska said at a press conference.

"EU's role in Macedonia is not the one of a traditional donor". Chiarini said that the EU would help the Macedonian Government to deal successfully with all economic and political challenges. "We are dealing with common challenge - to bring Macedonia closer to EU. This is a significant year, above all, because of Thessaloniki Summit, whose main message is not 'whether' but 'when',"

Chiarini said, adding that CARDS program is a preparation for Macedonia's accelerated integration with the Union.

PRESIDENT LOST AUTHORITY TO APPOINT VICE GOVERNORS

With the adoption of the changes to the Law on National Bank, the Parliament has fully taken the authorities of the President to nominate vice-governors of NBM and gave that to the Governor. However, Trajkovski managed to submit his proposal list for vice governors in the last minute. With the changes NBM can conduct the exchange rate policy without consulting or asking approval from the Government.

START OF NEGOTIATIONS WITH THE IMF

The agenda and dynamics of the new round of negotiations between Macedonia and the International Monetary Fund (IMF) in the next two weeks were the main topic of discussion between the delegation of the Macedonian Government and IMF expert team held on July 23 in Skopje. The mission's task will be to examine and assesses the implementation of the "stand-by" arrangement. The official negotiations started on July 28.

Minister of Finance Petar Gosev and Governor of the National Bank of Macedonia Ljube Trpeski had a first meeting on July 28 with the Head of the International Monetary Fund (IMF) Mission Franek Rozwadowski. The overall assessment was that the implementation of the stand-by arrangement had been successful in the first half of 2003. According to the realization of the macro-financial program and projections for the next six months, there is a possibility for some program amendments that will result in budget rebalance.

The meeting also set number of issues that would be discussed with the IMF mission, such as: fiscal decentralization, introduction of the second pension pillar, development of the market of securities, and implementation of recommendations of the FASP mission for improving the financial sector stability and its further development.

The IMF Mission will stay in Macedonia until August 8. Macedonia expects some of the money from the "stand-by" arrangement to be released after IMF's visit, but that will mainly depend on the results accomplished so far.

DRAFT PROGRAM ON STIMULATING INVESTMENTS

Macedonian Government is firmly committed to building an economic system that will stimulate investors, both foreign and domestic, because they are mainly attracted by the healthy business environment, Minister of Economy Ilija Filipovski said at the presentation of the Government draft Program on stimulating investments. The Program is aimed at generating new jobs, raising the standard of living and reducing poverty.

"By analyzing the existing climate for investments we should identify different types of restrictions and obstacles in economy, legal system and policy in order to propose measures for surpassing them," Filipovski said. Modern, open and competitive economy, national treatment of foreign and domestic companies, stable democratic society and combat against corruption are the main principles of the Program on stimulating investments. Furthermore, the Program includes reform of the institutional setup and its organizational structure for efficient realization of investment initiatives.

"Macedonia has exceptional advantages for investing, but has not succeeded in attracting enough foreign, particularly new direct investments," State Secretary in the Ministry of Economy Gjorgji Petrushev said. According to him, these advantages are the stable macroeconomic environment, democratic and economic structural reforms, Stabilization and Association Agreement signed with EU, bilateral and multilateral free trade agreements, regional economic integration, implementation of Framework Agreement and relatively cheap, but qualified labor force. Petrushev also pointed out the weaknesses such as the small domestic market, low income per capita, centralized system, poor institutional capacity and worn industrial technology.

For more successful implementation of the activities, the Government decided to establish Agency for investment promotion, which will probably become operational in January next year. The experiences of Central and Eastern European countries on foreign direct investments were considered during the development of the Program.

PARLIAMENT APPOINTS VICE-GOVERNORS OF MACEDONIA'S NATIONAL BANK

On July 25, the Macedonian Parliament appointed Vanco Kargov, Emilija Nacevska and Fatmir Besimi Vice-Governors of the National Bank of Macedonia (NBM). Kargov was State Secretary of the Finance Ministry, Nacevska - Director of the Balance of Payments Department at the

NBM, while Besimi was Director of the public company for airport service "Macedonia".

JAPANESE GOVERNMENT APPROVES CREDIT FOR HYDRO-SYSTEM ZLETOVICA

Japan has pledged to Macedonia a credit worth US\$ 80.3 million, for constructing dam on Zletovica river, in order to provide drinking and technical water for the region. The credit is granted under favorable conditions within Japan's Official Development Assistance (ODA).

At a meeting between Macedonian Minister of Foreign Affairs Ilinka Mitreva and her Japanese counterpart Yoriko Kawaguchi, it was said that the project was aimed at providing drinking water for over 100,000 people, in seven municipalities. Kawaguchi said that Japan was interested in enhancing the cooperation in the field of economy, trade and tourism.

Mitreva welcomed the good cooperation with Japan on international plan and within the international organizations, reaffirming Macedonia's readiness to support Japan's candidacy for membership in the United Nation's Security Council. She invited her counterpart to visit Macedonia in 2004, on the occasion of the 10th anniversary of the establishment of diplomatic relations between Macedonia and Japan.

GERMAN PUBLISHING HOUSE ESTABLISHES "MEDIA PRINT MACEDONIA"

German media group Westdeutsche Allgemeine Zeitung - WAZ from Essen decided to establish Skopje-based company "Media Print Macedonia." The company with majority capital of WAZ is comprised of Krug Ltd, Most Ltd and Ogledalo, which publish daily newspapers Dnevnik, Utrinski vesnik and Vest. The Managing Board has appointed former Macedonian Minister of Foreign Affairs Srgjan Kerim first general director, while the second general director is Peter Jankovski, WAZ manager. The issues published by Media Print Macedonia are sold in over 120,000 copies each days. WAZ group is the first European media house that accepted OSCE Resolution on respecting editor's independence.

SECOND TRANCHE OF FESAL II ARRANGEMENT RELEASED

The second tranche amounting to US\$ 20.554 million of FESAL II arrangement was transferred on July 29 to the account of the National Bank of Republic of Macedonia.

The arrangement worth US\$ 50 million was signed between the Macedonian Government and the World Bank, and the funds were to be released in three tranches. The final tranche of US\$ 20 million should be withdrawn by the end of December, when the implementation of this arrangement should be completed. The arrangement is aimed at supporting the governmental program on financial restructuring of enterprises, thus enhancing the development of private sector in Macedonia.

FORUM OF MACEDONIA'S EMIGRANTS

Business connections, investments and cooperation between Macedonia and its emigrants were the main topics of discussion at the Second Forum of Macedonia's Emigrants held on July 31 in Skopje, under auspices of the Macedonian President Boris Trajkovski. The First Forum was held on September 8, 2002 in Ohrid.

In his speech, Trajkovski suggested to Macedonian emigrants to focus on building patriotic, economic and spiritual bridges, adding that the business connections would strengthen the existing relations. He called upon the emigrants to find their own interest for cooperation and making investments in Macedonia. He congratulated the Macedonian emigrants for their success and achievements in their new environments, calling them promoters of the Macedonian name.

The Minister of Finance Petar Gosev and the Governor of the National Bank of Macedonia Ljube Trpeski emphasized some positive developments in the Macedonian economy and invited the emigrants to invest in Macedonia.