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AUSTRIA RATIFIED SAA BETWEEN MACEDONIA AND EU

Austrian relevant institutions completed the procedure for ratification of the Stabilization and Association Agreement (SAA) between Macedonia and the European Union, the Austrian Embassy in Skopje announced on August 7, in a press release. Austrian President Thomas Klestil ratified the agreement last week in Vienna.

BODY FOR STRUCTURAL REFORMS IN SESSION

In accordance with yesterday's decision of the Macedonian Government, the Body for Structural Reforms agreed to continue the negotiations with the Slovenian company, interested in buying of the publishing house "Nova Makedonija". "Nova Makedonija" was worth about €14 million, i.e. 66.76 of shares are state-owned, while the rest belongs to the employees, Minister of Economy Besnik Fetai said after the session.

According to the audit report, the company debts are at €16.7 million. The company's report says that debts, without the interest rates, are at € 10.854 million. The Slovenian company offered € 2.3 million for a buy-out and € 6 million as an investment in the next six years. It also suggested cutting the number of employees for 250, out of a total of 1,421, which was not accepted by the Body for Structural Reforms.

The consulting company, in charge of 15 loss-making companies, would be also engaged in solving the status of the companies "Hemteks" and "Frinko", Fetai said. He expected that the status of those companies would be determined until the end of September at latest. At today's session, the Body also decided to open new tenders for the companies "Zletovo Rudnici", "Godel", "Toranica", "Silika", "Goteks", MZT "FAM", Tehnika "Ruen" and "Mikron", and ZIK "Kocansko Pole" at the end of August. The Body decided to pay an advance of Denar 6,500, i.e. a total of Denar 13 million, as a severance pay to employees of the company "Astibo", Denar 12 million for the company "Zletovo Rudnici", Denar 30

million for the company "SASA" and Denar 20 million for the company "Ruen".

WORLD BANK APPROVED ADDITIONAL PROJECTS FOR OHRID LAKE PROTECTION

After two-year long procedures, the World Bank has approved the implementation of the ten additional projects within the Ohrid Lake Protection Project. According to Director of the Project's Implementation Department in Ohrid, Dejan Panovski, the projects include activities on solid waste management, agricultural activities in Prespa region, foresting the banks of the river Sateska in order to prevent the erosion and developing a path on mountain Galicica.

The additional projects are worth US\$ 280,000, and the money will be allocated to the companies and public enterprises, which won the public tender two years ago. He also informed about the final activities regarding the Report on the environment in Ohrid Lake region. "It is very important document, which should be developed by the end of September, and afterwards it should be coordinated with the Albanian part," Panovski said.

The World Bank, through the Global Ecological Fund has approved US\$ 2.26 million for Macedonia and US\$ 1.84 for Albania. This is a first project of this type in this part of Europe and a first attempt for determining the directions of the sustainable cross-border management of natural water resources.

Ohrid Lake is among the oldest in Europe, more than three million years old, where fossil remainders from numerous endemic species of plants and organisms were discovered in the past decades.

MINISTER FETAI HOLDS PRESS CONFERENCE ON PRIVATIZATION ISSUE

The Macedonian Government determined the conditions for selling the publishing house "Nova Makedonija" today, according to which all 1,427 employees are to keep their jobs and the house main activity is to remain unchanged for the next five years, Minister of Economy Besnik Fetai said on August 13, at a press conference.

The only bidder - the Slovenian company "Jug-Uslugi" is to pay € 2,3 million for "Nova Makedonija" shares and to overtake the house debts of about €10 million to public companies. "Only the state debt at € 5.5 million will

remain unpaid," Fetai said. According to him, the Slovenian company is to pay a total of € 12.8 million, and to invest € 6 million. "We shall meet with the foreign investor tomorrow and inform him about the latest selling conditions. We will have to open new tender, if the investor does not accept these conditions," Fetai said.

Referring to sale of the "SASA" mine, which is subject of negotiations with the Greek company "Mitilineos", Fetai said that the talks will have to be completed till Monday, August 19. If it is not the case, negotiations with the second bidder "Glenkor" would start, he added. Talks with the company "Krupp and Tiesen" about restarting the company "Jugohrom" were also scheduled for next week, Fetai said.

PRODUCER PRICE INDEX IN JULY DOWN FROM LAST YEAR

The Statistical Office of Macedonia reports that producer price index in July 2002 in comparison to June 2002 increased by 0.5 percent, in comparison to the average of 2001 decreased by 0.7 percent, while in comparison to July 2001 decreased by 2.0 percent.

INTERVIEW OF FINANCE MINISTER GRUEVSKI FOR "KAPITAL"

The non-signing of the arrangement with the International Monetary Fund does not mean a change of the cooperation course with the IMF, since the Macedonian Government continues the cooperation with the Fund, Minister of Finance Nikola Gruevski states in August 14' interview for weekly magazine "Kapital". He emphasized that the IMF mission was satisfied with the achieved results in the first quarter of the year, adding that the Head of the Mission Franek Razvadovski expressed his hope that the Fund would sign a new arrangement with the Macedonian Government in October.

According to Gruevski, the Government began the reform in the judicial system, with concrete measures agreed with the European Commission, in which the World Bank could be involved.

On the remark about the raising of the salaries of employees in the public administration just before the elections, the Finance Minister says that the raising of the salaries was due to the income surplus in the Budget in the first three months of 2002.

Referring to the reforms in the public administration, Gruevski said that "the fact that the Government already signed a PSMAC arrangement for reforms in the public administration with the World Bank, with the necessary fulfillment of 80 percent of the conditions, shows that we have done a lot in this process". "The administration number in March 2001 decreased by 4,500 employees, the salaries have been increased, while the equipping of the institutions is at a higher level".

PRESS CONFERENCE OF THE "MACEDONIAN RAILWAYS" AND "FERSPED" TRADE UNIONS

At the press conference held on August 14, the trade unions of the "Macedonian Railways" public enterprise and "Fersped" company accused the management of "Fersped" that it carried out illegal transformation and privatization of the company, for which the "Macedonian Railways" will file a lawsuit with a request the confiscated capital to be returned.

They explained that after "Macedonian Railways" (MR) and the former "OOZT Fersped", which operated within the "Macedonian Railways", established the LTD company "Fersped" in 1989 with capital proportion of 51 percent for the MR, "the contacts between the two companies seized." This meant termination of the rights of the MR over their capital, and the employees did not have access to information concerning the transformation, privatization and the management with the company.

Based on a request from the trade unions, the authorized government institutions checked the privatization of the company and concluded that the property rights of the workers were violated, which, as the trade unions' officials said, gives them the right to claim returning of the capital. It was concluded that the founding deposit, i.e. the 51 percent of the stocks, were illegally transferred to the stockholders.

MR claims that through illegal activities and irregular procedures, the company director Sterjo Nakov and his deputy Kiraca Trajkovska became dominant shareholders in Fersped and accumulated significant financial assets. The stockholders claim that Nakov and Trajkovska became owners of the company thanks to the fraud realized in cooperation with some persons from the former government. Due to this situation, the stockholders demand from the central depository to delete the stocks registered as property of the managers, including the stocks owned by Sterjo Nakov and Kirica Trajkovska.

President of the "Macedonian Railways" Simeon Bundalevski reported that the company would file a lawsuit, demanding protection of its rights and returning of the stolen capital, thus asking to become owner of the "Fersped" stocks.

NATIONAL PAYMENT CARD PROMOTED

Macedonian Prime Minister Ljubco Georgievski on August 19, 2002, executed the first transaction with the National Payment Card (NPC) thus promoting the new non-cash payment tool in the country. Georgievski expressed his satisfaction from the new payment tool, emphasizing that it is promoted less than a year after the government decision on introduction of national payment card was brought. According to him, this was another step in completing the reforms in the financial sector and coordination of the Macedonian with the European and world payment system.

"It is important that NPC system connects several participants in the payment system, provides unique infrastructure for the electronic payment and single center for monitoring the payment operations," Georgievski said. "With this system the cash will be gradually replaced with more efficient non-cash payment, which will make the operations more efficient and more profitable, will offer high quality services and will eliminate the sources of the gray economy," he said. "In fact that is the goal of the reforms - to have more efficient payment system," Georgievski said.

Finance Minister Nikola Gruevski referred to the NPC system as the final stage of the new payment system introduced on January 1, 2002. In order to complete the system, Gruevski said that the post-terminals should be installed in the stores in the next three months.

SLOVENIAN COMPANY "JUG-USLUGI" NEW OWNER OF "NOVA MAKEDONIJA"

Macedonian Minister of Economy Besnik Fetai and representative of the Slovenian company "Jug-Uslugi" Vito Komac signed on August 21, an agreement on selling the publishing house "Nova Makedonija". "The sale of "Nova Makedonija" has been the most successful so far, as it is sold for € 12.8 million, i.e. the Slovenian company is to pay € 2.3 million within fifteen days, plus € 10.5 million as debt to public companies, which will be paid according to an agreement with these companies, and to

invest € 6 million in the next five years. The new owner is also obliged to keep all employees for five years," Fetai said.

"We do not share Mr. Fetai's satisfaction, as we have expected greater assistance from the government, which persisted on keeping of all employees. The demand has been met and I believe in opening of new job opportunities, offering employment to all of those who want to work, " Komac said. Reconstruction of the publishing house would take five to seven years, including an installment of new machinery and launching of new editions Komac said.

NATIONAL STRATEGY FOR POVERTY REDUCTION ADOPTED ON GOVERNMENT SESSION

August 20, 2002 government session, presided by Prime Minister Ljubco Georgievski, included the review and adoption of the National Strategy for Poverty Reduction in the Republic of Macedonia. According to the macroeconomic overview, poverty is a multidimensional problem that includes economic, social, political and cultural issues.

Still, the economic growth is the most significant factor that influences poverty. Long-term economic growth directly decreases poverty through opening of new jobs, as well as growth of the real income of households, which increases the budget resources that are available to the state for social programs, improvement of quality and access to education and investment in infrastructure.

The strategy for poverty reduction in the country is based on policy of long-term economic growth, which is possible only in conditions of macroeconomic stability. According to this strategy, the Government puts the priorities of the Macedonian economic policy upon a stabile and well-coordinated macroeconomic policy, continuation of reforms in the financial system, finishing the privatization process, reforms in the loss making companies, reform of the labor market and continuation of the reforms in the public administration.

According to the strategy, the basic macroeconomic objectives in the period between 2002-2005 will be the realization of a cumulative real growth of the GDP at around 17 percent, preservation of the macroeconomic stability with an inflation rate of around 3.5 percent, annual export growth between 6-8 percent, real growth of investments in fixed assets at 10 percent an annual

level, full fiscal consolidation and establishment of budget balance, preservation of the external debt at the present level, further decline of the internal debt and cutting the unemployment rate down to 22 percent.

Also on this session, the Government reviewed and adopted the overviews on shares of the Macedonian Privatization Agency. Namely, according to the indicators, € 320 million out of the Euro 444,982,439 of total capital is intended for sale. The Government concluded that all shares that are not subjected to any dispute should be published in the daily newspapers in the course of the following week, in order to acquaint the public, followed by their inclusion at the stock market for sale.

WTO REGIONAL WORKSHOP ON MARKET ACCESS AND TRADE RELIEF

Macedonian Minister of Economy Besnik Fetai opened the WTO regional workshop on the topic "Market Access and Trade Relief in the Countries of Central and Southeastern Europe," organized by the negotiation group for access to the markets within the World Trade Organization (WTO). Minister Fetai informed the participants that Macedonia was finalizing the admission process to the WTO. The agreement is to be signed on September 17th, as a result of the successfully conveyed bilateral negotiations on exchange of goods and services according to WTO principles.

ANNOUNCEMENT BY THE MINISTRY OF FINANCE

Minister of Finance Nikola Gruevski and Abdelmaxhat Slama, Director of the International Fund for Agricultural Development (IFAD) for Macedonia had a meeting on August 27, on realizing the project for development of southern and eastern regions and putting into effect IFAD's second credit line. The second credit line is aimed at financing the agricultural development in the whole country, in particular for undeveloped rural areas. The project includes granting of 3,000 loans that will be realized by Macedonian commercial banks, which also participate in this project with US\$ 2.2 million. The Ministers of Agriculture, Forestry and Water Supply and Finance will coordinate and monitor the project realization.

PRIVATIZATION AGENCY OF MACEDONIA OFFERS STOCKS OF NPC AD SKOPJE

The Privatization Agency of Macedonia has offered the stocks of the National Payment Card (NPC) AD Skopje, on

the Macedonian Stock Exchange. Following the regulations of the Payment Operations System, the stocks of AD National Payment Card (NPC) could only be sold to the banks, authorized to perform payment operations.

AD NPC Skopje was founded in accordance with the Government's decision, and has total capital of € 7,384,880 million common shares, of a nominal value of € 1 per share. Trade of NPC stocks in small packages will start within the segment for sale of the state stocks, session 1 - cash payment and session 2 - payment by check. There are no legal restrictions regarding the amount of the AD NPC capital envisaged for the banks.