

P R O G R A M
of the Government of the Republic of Macedonia
(2006 – 2010)

Skopje, 2006

According to Article 90 of the Constitution of the Republic of Macedonia I submit the Program of the Government of the Republic of Macedonia for the period 2006-2010.

Basic goals and principles of work

Basic goals of the Program of the new Government of the Republic of Macedonia in 2006-2010 (hereinafter Program) are aimed at improving living standard of the population, increasing employment, fighting corruption, developing democracy, improving inter-ethnic relations, political stability of the country and its integration into the EU and NATO.

Basic principles of the economic part of the Program are: economic freedom and equal working conditions for all subjects; dynamic implementation of structural reforms; partnership relation between the state and all relevant subjects, particularly in the private sector, aimed at speeding up its development and creating new working positions.

Basic postulates for the new Government's work at the political and international plan include complete respect of the Constitution, implementation of the provisions of the Ohrid Framework Agreement and further realization of responsibilities resulting from the negotiations with the EU and NATO.

Political and reform activities for more dynamic economic development

The economic part of the Program contains reform policies and measures in three elementary groups:

- Increasing competitiveness of Macedonian companies through structural reforms, increased investments in computer technology and knowledge as well as improving quality of labor force;
- Increasing attractiveness of the country for foreign and domestic investors by introducing lower taxes as compared to Europe and other stimulations for investments, simplifying legal regulations, providing transparent work of state institutions, better public infrastructure and facilitation of access to financial funds; and
- Improving work quality of public institutions for reform implementation, enhancement of transparency in the Government's work and decisive fight against corruption.

Thereby, macroeconomic policy, and particularly the fiscal policy, will be in function for realization of more dynamic economic development, through decreased and simplified taxes, diminished public consumption and increased productive public investments.

- *More dynamic economic growth.* Through realization of the overall program of reform measures, we expect realization of the GDP average growth rate of 6-8% in the period 2006-2010.

- *Employment increase.* Numerous measures in the Program have been designed for creating investment conditions and development of the private sector that will result in new employments. It includes reform measures in tax sphere, diminishing of legal regulation and administrative barriers in business, improvement of investment environment and promotion of investment potentials in the country, increased public investments, increased efficiency in judiciary as well as transparent and predictable work of the Government and state institutions.
- *Increasing of competitiveness* of Macedonian companies through decreasing working expenses, new investment cycle, transfer of knowledge and technology from foreign firms that would invest in Macedonia, as well as improvement of education and qualifications of labor force. At the same time, the Government will work on establishing Macedonian brands through a support of domestic products, introduction of quality certificates, modern marketing, innovations, researches and development, support in training and education of modern managers who speak several foreign languages and possess computer skills, as well as improving qualifications of labor force. The Government will be an active partner to Macedonian companies in realization of this key goal through budget funds, logistic support and creation of better business environment.
- *Increase of domestic and foreign investments* by creating better investment conditions (stability and predictability of regulation, efficient executive procedure, expedited collection of claims, protection of creditors), decreasing public consumption, deregulation and liberalization, improved public services quality, improved public infrastructure and more efficient judiciary.
- *Decrease of public consumption and efficient state administration.* The Republic of Macedonia needs a small, but efficient state administration, completely devoted to satisfying needs and demands of its citizens. The state will provide maximal conditions for development of private initiative and freedom of Macedonian citizens. In its actions, it will focus on performing classic functions for ensuring domestic and international security for its citizens (the rule of law), providing public services financed through efficient and just tax collecting from taxpayers and strictly limited regulation of economic activity in certain domains. For rational resource utilization (personnel and funds) and for efficient performance of certain functions, the state will act through partnership with private sector.

For accomplishment of these goals we will ensure:

- Decrease of public expenditure share in GDP by 2 percentage points by 2010;
- Restructured public expenditures with an increase of capital investments for stronger support of total investments, education and health. Deadline: gradually, starting from 01.01.2007;
- Zero unproductive budgetary expenditures for vehicles, furniture, etc. In 2007, during the first operational year of the Government, we will abstain

from purchasing new vehicles and office furniture. In the period 2008-2010 we predict a reduction of these costs of at least 30% as compared to 2006. The saved financial resources will be redirected towards a number of projects within this Program;

- Complete depolitization and professionalism of the public administration by introducing employment and career advancement criteria based upon knowledge and professionalism. Project supported by PAL-credit of the World Bank. Deadline: 2007;
- Functional analysis of all ministries and elaboration of strategic plans for their more efficient organization. Deadline: end of 2006;
- Maximal reduction of bureaucracy and corruption through deregulation, decreased discretionary rights and introduction of mechanisms that would allow citizens to monitor work of the state administration. Deadline: 2006-2010.

Macroeconomic policies in function of economic growth

The Republic of Macedonia has achieved and effectively sustained a stable price level. Price stability is necessary for creating a predictable macroeconomic environment for entrepreneurs to make their business decisions. However, traditionally, monetary and fiscal policies have been primarily used for amortization of external shocks and unfavorable movements in domestic economy, and therefore, they have been very restrictive. The Government of the Republic of Macedonia will provide usage of macroeconomic policies as mechanisms for regulation of macroeconomic condition aimed at achieving high and sustainable economic growth rates of 9-8% per year.

Fiscal policy will be disciplined, but moderately relaxed in the area of capital investments. Due to the necessity for harmonization of the policies with the EU standards. It will be completely in accordance with the Maastricht criteria. A controlled budget deficit of about 1.5% of GDP will be sustained in the medium term. This type of fiscal position will ensure a development role of the budget, without causing an increase of the public debt measured as a share of GDP. The deficit of 1.5% in the case of a GDP increase of 5-8% per year guarantees incremental reduction of the financial obligations of the Republic of Macedonia to 35% of GDP (presently, 40-41%). Implementation of radical tax and customs reforms will start on the very first day of the government's term.

We will gradually increase public investments to the level of 5% of GDP (presently, their share is only 3%), thus coming close to the average of the new EU member states, starting from 2007. We will use it for financing significant infrastructure projects: roads (Corridor 8 will be the major project), power stations, long-distance power lines, school, capital investments in the field of health (policlinics), drainage and irrigation channels, etc. Financial funds will be provided from: the budget, private investor concessions, well-targeted loans from the World Bank, EBRD and EI. In the following years we also expect to start using European funds.

We will create conditions for reducing interest rates by half. The state will not pay banks for unproductively keeping saving deposits in government bills. Along with other measures taken for better security of the banking system's demands and competition, it will create conditions for banks to invest money in economy with 8-10% interest rate during the first years and European interest rates of 5-6% by the end of 2008. We expect these operations to result in an increase of loans to 25% annually, as similar to the states that have already joined the EU.

The National Bank is in charge of the monetary policy and its independence will be fully respected. The two basic functions of the National Bank of the Republic of Macedonia will be

- maintaining price stability, and
- increasing banking system efficiency and strengthening bank supervision.

We will enable growth of housing loans. Practicing efficient registration of real estate (houses, apartments, land) ownership in a unique register will legalize and also release a large amount of capital and potential that has not been used yet. It will create a possibility for a great number of citizens and farmers to use their property rights as a mortgage for getting housing or business loans. In that way, the situation with housing loans will demonstrate dynamics and additionally the real estate market, which in many countries is one of the two main driving forces of the economy (together with capital markets).

Total investments in the Republic of Macedonia are expected to reach more than 25% of GDP, which is as high as in fast-growing countries. This will be achieved through increasing domestic private and public investments and drastic growth of direct investments.

Improving the investment climate

The following activities will make Macedonia an attractive destination for foreign investments and will stimulate domestic investors:

- expedient, three-day company registration procedure with minimum number of administrative procedures;
- long-term predictability of legislation;
- preventing state interference in private business;
- reduced corruption and bureaucracy;
- more efficient and competitive financial system;
- increased liquidity of the Macedonian stock market and recognition of the state and its major companies on the foreign capital markets;
- simple and transparent tax system;
- reducing the number of company inspections by eliminating so called "racket inspections" that only serve criminal and political motives, and simultaneously strengthening their quality and transparency;
- functional real estate registry that regulates real estate;
- timely payment and higher security of debts;

- specialized courts dealing with solving commercial disputes;
- improved infrastructure through reduced prices of telecommunications, improved transportation network, wireless internet, etc.;
- increased volume of activities within one-stop shop system.

Microeconomic policies and reforms

- the procedure for company registration will be completed in 3 days at the latest;
- filling in a single standardized form will suffice for company registration - filling in a large number of forms will be unnecessary;
- each company will have a unique registration number for identification;
- we will introduce the rule “silence means agreement”. If the applicant does not receive an answer from the one-stop shop register within 3 days, the authorized institution is obliged to issue the company all registration documents;
- following the example of a number of European countries, we will introduce the possibility for online registration of new businesses;
- the only cost for registration of a new company will be the registration tax, which will be unified, regardless of the company size;
- we will introduce a unique electronic database of companies connecting the register, courts, statistical office, customs, National Bank and municipalities;
- we will introduce the so-called “basic business clause” which will enable establishment of a business without precisely stating the activity it will engage in. This will make possible starting a business promptly by buying an existing company (the procedure will take two minutes as the notary public will register the ownership change).

Deregulation of economic activity

The state has to provide a level playing field for competition of economic subjects with measures for fostering competition while certain activities will be regulated in order to protect consumers’ and subjects’ interests. However, in our opinion, the regulation level of Macedonian economy is too broad and unsuitable for modern and dynamic economy. There are a number of agencies which lack sufficient competent staff and are not usually able to fulfill duties they were created to perform for which they are paid with citizens’ money. Therefore, by 31.03.2007 at the latest, we will implement a process of deregulation and reform of the regulatory institutions through:

- regulatory guillotine: revoking hundreds of unnecessary licenses and regulations which prevent companies’ normal operation;
- processing certain types of licenses will be within a strictly determined time framework;

- ownership registration will be an administrative, and not a court procedure. This will accelerate the procedure and will alleviate the courts' work;
- instead of actual 6-8 procedures which approximately take 75 days, property registration will be completed in two procedures within 10 days;
- unified payment for ownership registration carried out in the register;
- accelerating the property registration procedure will be enabled through computerization: verifying ownership on the Internet, executing and registering the transaction;
- simplifying procedures for issuing building licenses for individuals and for commercial construction. The period for issuing permissions will be limited to 45 days;
- we will introduce multiple inspections – inspectors will inspect construction sites in stages;
- providing fair competition and equal conditions for accessing businesses (de-monopolization).

Labor market flexibility

Changes in the Labor Relations Law will increase flexibility of labor through a possibility of being flexible in hiring workers for a limited time period, for all types of activities, without being obliged to state the latest date of the contract. Also, enabling and stimulating reduced working hours. Experience has shown that such flexibility is a real benefit for certain categories of workers, such as mothers, young workers, etc.

Tax system reform

The practice of transition countries (Estonia, Latvia and others) showed that an efficient tax system, with transparent, simple and low taxes is one of the basic pre-conditions for economic progress. In the Republic of Macedonia the tax burdens on profit and salaries are inadequate for necessity of radical reduction of unemployment and the promotion of investments. For making improvements in this sphere and making the tax system a promoter of economic activity, instead of an inhibitor, we propose the following:

- lowest taxes in Europe – introduction of a flat rate tax with a single tax rate for income tax and profit tax in two stages. Deadlines: January 2007 to 12%, January 2008 to 10%. Reduction of income tax rates from 15, 18 and 24%;
- Zero tax rate for reinvested profit;
- Reduction of VAT from 18% to 5% for agriculture raw materials and mechanization (by the end of 2006);
- Elimination of the so-called “racket” or political inspections of the State Revenue Office and other inspecting authorities;
- Unconditional fight against tax evasion. The measures regarding prevention and stimulation are as follows:

- § Reduced tax rates and simplified estimation will make the expenditures/risk of tax evasion higher than payment expenses.
- § Harmonization of the bases for payment of the income tax and social contributions will increase payment efficiency.
- § Organizational changes and complete computerization of the Public Revenue Office database will result in more accurate records of the tax payers.
- § Full introduction of fiscal cash registers in legal entities throughout the country, in accordance with the Law. In addition, we will introduce an amendment to the law which will make a buyer not liable to pay for the goods or services in case s/he does not receive a fiscal bill;
- § Establishment of a special office within the Public Revenue Office to serve the large taxpayers;
- § Introduction of a particular and much simpler tax payment system for small companies and micro companies with low income and profit.
- § A return of VAT in a maximum of 30 days. In opposite sense, the state will pay a penalty interest rate for each past due day;
- § We will increase customs incomes through rigorous, but simplified, scanning with modern and sophisticated equipment that examines goods in a truck or a container using X-rays, without unloading it. For professional managing the customs procedure, as it is in other European countries, we will hire an internationally renowned and experienced consulting agency.

Protection of ownership rights and execution of contracts

In addition to the aforementioned reform activities in the sphere of normative regulations, we also propose a set of reform measures which will have a direct impact on improving conditions for business practices:

Protection of ownership rights

- The Law on executive procedure will be treated as a special priority. Its efficient implementation requires training for judges, but also training in the private sector (creditors). In this respect, we will reduce loan registration taxes in the Central Register;
- Unsettled ownership rights that appear in property acquisition or building business space are a huge hurdle for foreign and domestic investors. Incomplete evidence of property and property transactions and an incomplete real estate registry cause a lack of legal safety and prohibit the development of the real estate market. In the Republic of Macedonia two-thirds of the privately owned land is not registered in the real estate registry. In order to solve these problems, we will speed up the establishment of the Unique Real Estate Registry (Cadastré). This will provide legal security to investors and will release a huge passive potential

which can be used in an active manner, mortgages for business loans, sale to other entities, etc. Deadline: 31.07.2007.

- We will consolidate the database for housing loans in the central register. Deadline: 30.06.2007.
- We will increase the protection of shareholders' rights. Shareholders must be better informed about managers' interests in particular business deals. We will strengthen managers' liability for announcing their share purchase transactions, as well as other financial transactions related to the company. Before voting for transactions related to the management team, investors must have at their disposal complete information.
- We will strengthen the efficiency of the Security Commission. The regulation will change by increasing the executive powers of the Commission. The Law on Securities will be revised with intention of applying standards stated in the EU Directive for Transparency. Also, we will revoke all action transferability restrictions.
- The Company Law will be altered to revoke the possibility of legal entities being members of the executive boards, because this weakens liability and transparency;
- We will provide legal protection to workers who will "signalize" legal irregularities and corruption in companies or violent actions against investors;
- We will establish a Code for Corporate Management, which will contain detailed descriptions of corporate management norms and regulations;

Execution of contracts

- Introducing an information statistics database in the courts. Information regarding the number of unsolved procedures in certain institutions, their content, and the number of complaints is a pre-condition for identifying and solving "bottlenecks".
- Notification of the accused will no longer be a procedural hurdle. Not responding to court appeals was one of the main reasons for prolonged procedures;
- Lawsuits will be expedited by introducing so-called "summed up procedures" (including debt payment) for cases in which accused/indebted does not have evident defense arguments, and the so-called "automatic verdict" in cases when the debtor does not have an excuse for not appearing in court.
- The deadline for completing a bankruptcy procedure will be one year and by the end of our mandate this deadline will be reduced to 6 to 8 months. The expenses for a bankruptcy procedure will be drastically reduced.

Protection of creditors

The execution and payment of contracted obligations and protection of creditors is one of the key weaknesses in the business climate in Macedonia. Therefore, we anticipate measures for:

- Simplifying court procedures related to mortgage payment, as well as prohibiting debtors from dragging out procedures

- We will introduce a so-called “summed up procedure”. Its application will enable collateral payment, in case it goes to a court.
- Apart from courts, other authorized private companies will be in position to confiscate property and perform a mortgage sale;
- Legal hurdles prohibiting obtaining and exchanging credit information will be eliminated ;
- We will improve the Credit Register by reducing the registration threshold, monthly reporting, shortening period for processing and connecting the Credit and Central Registers.
- In addition to the public credit register, private credit offices will be established. In order to achieve credibility we will make efforts to establish the first private credit offices in cooperation with renowned foreign credit offices. Private credit offices are more efficient and also provide additional information, such as credit rating of certain entities, etc. Credit offices will have at disposal the credit history for all persons of age in the Republic of Macedonia In order to improve the climate for investments without violating privacy, information collection and usage will be precisely regulated with a codex.
- Credit beneficiaries will have access to their own credit history which will open room for reporting any mistakes and requesting correction.
- In addition to credit information, this Unique Register will consist of a register of mortgage agreements (collateral) open for reviewing by banks and credit beneficiaries.
- Rules regarding mortgage payment priorities will be precisely stated. Collateral creditors will have preference to the rest of the creditors (in case of bankruptcy).

Reducing grey economy

In addition to the previous measures for tax evasion reduction, we will fight the grey economy with the following measures:

- A three-month deadline for legalization of the grey economy activity shall be offered for those operating without registration of their business. Provided compliance with this incentive, they will not be made liable for back taxes. After this period, controls and fines will be draconian.
- Increased motivation for legal operation by reducing tax burden on profits.
- Motivation for registering employment by reducing personal income tax, more flexible employment contracts and increased flexibility in hiring and firing procedures.
- Reduction of costs for doing business legally by shortening complex and expensive process of obtaining business permits, construction permits and other business related documents (Regulatory guillotine).
- Modernization and automation of customs procedures (scanning of transportation means) and professionalism in the customs management.
- Easier access to legal sources of business financing: activating of vast idle potential for utilization of real estate as a collateral – by its registration in the Cadastre.

- Opening a separate office for major tax obligators and introducing much simpler tax payment system for small companies and micro enterprises with low income and turnover of goods.

Attracting foreign investments

The strategy for achieving this goal include:

- The new government will have two ministers without portfolio who will deal exclusively with foreign investments. These ministers have spent longer periods abroad, working for famous financial or multinational companies and have been involved in international financial and investment activities;
- A focus on investments in information technology and outsourcing (performing compute and other services for foreign companies, such as software development, data entry and data processing, processing insurance policies, processing health documents, telephone calls and so-called call-centers).
- Providing tax, customs, infrastructure and other privileges for companies within so-called Technological Industrial Development Zones (TIDZ Project).
- Hiring 20-50 distinguished, world-known consulting agencies through a transparent public procedure in order to attract green field investments in Macedonia.
- Aggressive promotion of investment opportunities in Macedonia by a team headed by the Prime Minister, in cooperation with economic chambers and businessmen.
- For more efficient promotion and attraction of investments, following the example of Ireland, we will establish a unique professional agency called Invest Macedonia, which will develop a network of more than 20 offices internationally, with contact information of all businessmen of Macedonian origin.
- We will abolish the possibility for stock companies to issue stocks exclusively for existing shareholders.
- Competition in the banking and insurance sectors with renowned foreign institutions. In this respect, in 2007 we will adopt a new Law on Banks, completely harmonized with the EU directives and international Basel standards.

Competitiveness of the domestic production

Productivity and competitiveness are weaknesses of Macedonian economy. The Government of the Republic of Macedonia will pay special attention to improving national competitiveness and company productivity. For achieving this we anticipate a set of microeconomic reforms:

- We will decrease operational expenses by decreasing taxes. This will provide a strong impulse for improving competitiveness, opening new job possibilities and reducing tax evasion and grey economy.
- We will increase budgetary funds for science, research and development. Constant decrease of these funds in the last few years is opposite to the trends in the European countries with the highest economic growth.

- We will introduce mandatory certificates for Macedonian export-oriented products, as well as products that are imported into Macedonia. We will encourage Macedonian firms to obtain the internationally recognized ISO quality standard. This measure will help increase of the competitiveness of Macedonian products because only certified products with consistent and proven quality can penetrate new European markets.
- With even broader scope and enthusiasm, we will continue the well-accepted campaign focused on promotion of Macedonian products, called By Macedonian Products.
- We will support the flow of knowledge between universities and private sector, and improve relations between education and labor market (project research).
- In cooperation with the chambers of commerce, we will initiate establishment of a consortium of the most successful enterprises which form the Management Education Center.
- We will increase flexibility and mobility of the workforce, which entails harmonization of the Labor Relations Law with the social partners.
- We will implement fundamental educational reform in accordance with the requirements of the modern market economy. Special attention will be given to IT and technology in order to redirect the youth towards these activities of the future.

Small and medium-sized enterprises

Small and medium-sized enterprises are key point in increasing dynamics of economic growth and employment rate in all fast-growing economies. Central problems of these enterprises in Macedonia are: difficult access to capital, administrative barriers, extensive regulation and legal uncertainty. A large part of the projected general measures for solving the problems of Macedonian enterprises, and especially the regulatory reform and measures for improving competitiveness and investment climate, are of a great significance for small and medium-sized enterprises.

In addition to these measures and reforms, we also anticipate several additional measures:

- We will initiate creation of business centers in municipalities where small enterprises will have at their disposal common facilities (conference halls, computers, etc.). The objective is to reduce operating expenses.
- Together with the Chamber, we will initiate cooperation of similar small firms in mini-association, through which the following could be accomplished: joint transportation of goods, participation in foreign markets, organization of fairs, etc.
- We will strengthen the Agency for Entrepreneurial Support and its regional centers.
- We will support establishment of a network of small consulting firms to be engaged in preparation of investment projects, business plans, marketing strategies, mediation in concluding trade deals in the country and abroad, etc.
- We will stimulate foundation of small craft shops, like family businesses.

- We will facilitate the access of small and medium-sized enterprises to more convenient financial resources through a range of mortgage instruments and by creating necessary conditions for applying real estate for this purpose.

Development of agriculture

Development, investments and modernization of agriculture in the following four years will greatly contribute to the country's overall economic growth. There are around 180,000 Macedonian farmers who work land and live of agriculture. Even more importantly, Macedonian farmers produce 90 per cent of our food. They maintain the fruitful soil and beautiful village areas. We feel greatly obliged and responsible to stimulate development of agriculture and provide for the agrarian sector decent living and working conditions. Our policy will be focused on the following components:

Production development and export support

- We will adopt a National Action Plan for Development of Agriculture. It will focus on stimulating the priority product groups highly demanded in European countries. According to the initial analyses, most demanded product types are: early vegetables, healthy organic food, high-quality wines, lamb meat, etc.
- We will support introduction and intensive production of non-traditional products (such as small grained fruits, new early vegetable cultures, asparagus, goat meat and milk, bee products, snails, ostriches, remedial and aromatic plants, flowers, soy, fish, etc.) with and export potential, which generate higher income with more limited resources;
- Support activities for promotion of distinguishing national brands of gricultural products and their promotion to foreign markets;
- Stimulate competition and eliminate monopolistic behavior of certain large companies, especially dairy, wine and processing industry, which create market disparities;
- We will continue positive experience from the partnerships between foreign and local companies;
- We will stimulate foreign investments in agriculture, food processing and dairy industry.
- New investments, a clarified regulation framework and improved efficiency are crucial in these areas

Regulating land ownership

- Development of a functional market for trade and lease of agricultural land (especially state-owned land);
- We will carry out new, fair and transparent distribution of state-owned agricultural land to real producers, offering land use opportunities to individual producers through public and transparent procedures.

- Facilitate farmers' access to cheaper, long-term loans by registration of their real estate (houses, land, etc.) in a single register, which will result in banks' acceptance of the property as mortgage.
- Increase the supply of affordable rural loans and improve the access of farmers to long-term land-purchasing loans.
- Medium-term loans for investments in equipment and buildings and short-term loans for providing working capital.
- We will provide additional financial assets through a new affordable credit line, including IFAD loans, with lower interest rates than the current ones.
- After harmonization of our regulation with the EU standards, Macedonia will start receiving funds under the SAPARD program of the European Commission, which will provide support for production of wheat, industrial plants, vines, fruit trees, stockbreeding, mechanization, etc.

Infrastructure

The Republic of Macedonia, as a country at the intersection of the main corridors east, west, north and south should make great use of this geographical advantage. On the other hand, investments in infrastructure are vital to the reduction of unemployment and poverty, the competitiveness of the national economy, the economic growth and more balanced regional development in relation to intensifying integration of the Republic of Macedonia into EU.

In the period 2006 – 2010 the Government of the Republic of Macedonia will carry out public investment projects in the fields of construction, water supply and sewage systems, irrigation systems, transportation, gas pipe network and energy supply. Funds for these projects will be provided from various sources, through concessionaries, domestic and foreign direct investments, foreign donations and directly from the state budget.

Road and railway traffic

The Government will strive, above all, for increasing investments in transport network which is very important for economic development. In this sense, it is necessary to build and promote highway and railway east-west corridor, which is Turkey-Bulgaria-Macedonia-Albania, and complete the north-south highway corridor Serbia-Macedonia-Greece. These two corridors are strategic and economic priorities that will make the Republic of Macedonia grow from merely geographic into a real traffic intersection on the Balkans.

The Government, in its four-year mandate, will strive for asphalt connection to every populated place with an economically acceptable number of inhabitants, as well as every place that can enable return of population. This will lead to an improved quality of life and socio-economic development of populated places in the Republic of Macedonia. One of the priority tasks of the new Government will be to integrate the highway network of Corridors 8 and 10 with other regional and local roads throughout the country.

Construction of residential buildings

Regarding construction of residential building, a fundamental determination of the Government is to create favorable institutional premises for construction of residential entities, especially for category of citizens not able to build buy their own residence. The Government, partly through its investment, and partly through public-private partnership, will enable and invest in building 2,500 welfare residencies, residencies for newly-weds, etc. More specifically, the Government obliges to create a suitable financial institution to provide guarantees for residence loans. The aim of this financial institution is, through issuing bank guarantees for paying back residential loans used by citizens, to create better conditions for approving favorable and long-term residential loans, as well as to provide other financial advantages that would make solving residence issue more accessible.

Communal activities and water supply

In the Republic of Macedonia, even in the new millennium, there are still many settlements with problematic quality water supply, accompanied by significant loses in the networks of almost 50%, and many settlements completely lack a waterworks network. Almost every city in the Republic of Macedonia experiences shortage of water, especially in the summer months. In addition, there is insufficient coverage with water rectifying stations and removal of wastewaters.

Highly aware of the tight connection between water management and agriculture and food production, we will make projects for providing healthy drinking water, technical water for the industry, preventive measures for flood protection and anti-erosive influences. In addition, we will strive for changing and amendment of the Law on waters, which will contribute to financial and institutional stabilization of water management.

Telecommunication

The Republic of Macedonia falls behind in the area of liberalization of the telecommunication market. Presently, citizens live in information darkness, since the penetration of the Internet is only about six per cent, the cost of telephone conversations is more than two-and-a-half times higher than in 2002, and the Macedonian Radio and Television in every possible aspect falls far behind the national media in the neighboring countries and in the EU member-states. The market of telecommunication services is still strictly monopolized and controlled. In order to improve the telecommunication sector in the country, the Government of the Republic of Macedonia will undertake the following activities:

- Full de-monopolization, deregulation and liberalization of the telecommunication market, which will attract foreign investments and open new job possibilities;
- Announce bid to select at least one more mobile operator within 60 days;
- Elimination of all legal obstacles for full liberalization the fixed telephony sector;
- Regulation and stimulation of competition among cable operators, as well as defining status of public local radio stations;
- Harmonization of the legal regulation concerning telecommunication and IT with the EU regulation;

- Adoption of the National Plan for Telecommunication Development;
- Transformation of MRTV aimed at its transformation into a public services for the citizens, capable of servicing its everyday operations;
- Establishment of professional management team in MRTV, chosen on an international procurement and professionally contracted, by the principle of two managers with a so-called tied signature, which is the principle of four eyes.

In order to boost interest for foreign investment in this sphere, we will create a small and efficient administration and independent regulatory bodies: Agency of Electronic Communication and Broadcasting (that is joining the present Broadcasting Council and Agency for Electronic Communication into one body) Agency for IT and Commission for protection of competition. It is also necessary to strengthen independence of the Agency for Electronic Communication and Broadcasting through a) professionalism and inability to simultaneously perform another public function; b) fixed mandate with the possibility of impeachment, only in the case of irresponsibility and conflict of interests; and c) clear definition of responsibilities.

Energy

During its mandate, the Government of the Republic of Macedonia will strive for sooner re-definition of the existing regulation in the energy field by accepting provisions from the EU directives and implementing them. As a basis for rehabilitation and reconstruction of the electro-energetic sector, we will work on the AD ELEM and MEPSO consolidation program. The Government fully respects the Energy Charter and the Directives on energy of the European Commission, recommendation and regulations of the bodies and institutions of the EU, and opinions and recommendation of the World Bank. We will actively strive for opening new economically justified mining capacities and rational usage of coal as a base for electrical power production. At the same time, we will strive for introduction of natural gas in production of electrical power and we will support construction of gas-fueled electrical heating plants. We will revitalize, modernize and adapt parts of the current thermo-production capacities for combined usage of lignite and natural gas in the production of electrical power.

The Government gives strong support to Macedonia's participation in domestic and regional projects for construction of new energy facilities according to joint venture principles, as well as projects for developing the country's hydro potential. We will strive for stimulation of foreign investments in the construction of large hydroelectric power stations through issuing concessions in accordance with the respective legislation. In this respect, the Government will strive for an analysis and eventual investment partnership with the neighboring countries in building a nuclear reactor for electricity production, which is to be constructed in Bulgaria.

As regards the legislation, the Government will insist on establishment of clear, transparent and easily applicable legal procedures for granting concessions for construction of hydroelectric power stations and correspondent permits and work licenses with maximum respect of the right of competitiveness. We will define mechanisms to stimulate the citizens of the Republic Macedonia to invest in construction of small hydroelectric power stations and we will suggest creating a special state fund for

preparing investment and technical documentation for construction of new hydroelectric power stations, in which a percentage of sale profit will be reinvested. Following the example of the European countries, we will introduce electricity “labeling”, which will spur the environmental consciousness of the customers and will provide funds for maintaining renewable sources of electricity. We will actively support coordinated usage of water sources of the Republic of Macedonia with the neighboring countries.

We will work on reinforcement of the capacities for interconnection of high-energy networks with those of the neighboring countries. The Government will use proper interconnections and consistent energy policies for profiting out of Macedonia’s geographic position.

We will initiate activities for rational expansion of a gas pipeline network on the territory of the Republic of Macedonia and will create conditions for incremental introduction of gas as an alternative energy source in households and in the industry. We will work on creation of a strategy and conditions to replace the expensive and environmentally unfriendly oil motor fuels with natural gas through specific programs designed for public and taxi transportation, cargo transportation, etc.

Social security and justice

The Government of the Republic of Macedonia believes that the best social policy is the one that creates new employment. Our policy is to create an efficient system of social protection and productive engagement of welfare users. Priorities:

- Effective implementation of the measures and programs entailed in the National Strategy for Reduction of Poverty prepared in 2002;
- Active employment policies (local infrastructure, support, etc.)
- Support self-employment (family business) for 5,000 people. People who live in underdeveloped areas and long-term unemployed (unemployed for more than five years) will have priority;
- Hiring unemployed from the least developed regions in construction work, ecological project, etc.;
- Financial support for production and export guarantees for companies with potential export contracts but no financial assets for their realization;
- Subsidizing employment of 2,000 single parents and disabled people;
- Training and counseling unemployed persons for pre-qualifications, contacts with potential employers, improved knowledge and skills, computer training, etc.;
- Support for first-time employment of young persons under 27 years of age;
- Scholarships for 500 best high school students and 1,000 best college students and postgraduates
- Employment for college and high school students for three months during the summer period;
- Assistance for young people to collect employment information and to apply for employment (Youth Electronic Portal – YEP);
- Three-month employment during the summer period of high school and college students. Besides budget funds, additional financial sources will be provided for

realization of active employment programs through public-private partnerships, partnerships with non-profit organizations and grants from bilateral donors.

Foreign policy

The EU and NATO integration of the Republic of Macedonia is the most important goal of the Government of the Republic of Macedonia in relation to foreign policy development. In this respect, we will promote preservation of peace through respect of democratic principles, human rights, market economy and the principles of international laws. The partnership with the countries from the region, the EU member states, USA and UN members in the fight against terrorism and organized crime will be an integral component of our foreign policy. The foreign policy should provide protection of state interests, the interests of its citizens, and those of the economic entities outside the borders. Our foreign policy will be directed toward creating new and preserving the existing friendship relations with developed countries around the world.

One of the key tasks of the Foreign Ministry, together with the Interior Ministry, will be abolishing Schengen visas for Macedonian citizens.

In relation to improving and developing the foreign policy of the Republic of Macedonia, the Government will undertake the following activities:

- Cooperation with any country that strives for international cooperation on equal terms;
- Participation in the fight against terrorism as a member of the USA-led Anti-Terrorist Coalition;
- Realization of joint projects within the Stability Pact and the Partnership for Peace;
- Participation in the work of international organizations as a member of: UN, OSCE, The Council of Europe and others;
- Attraction of foreign capital for economic development through developing international cooperation;
- Signing agreements for cooperation, peace and friendship with its neighbors;
- Intensive cooperation with organizations of Macedonian emigrants aimed at their connecting to their fatherland;

For accomplishing these goals, we will lead an anticipatory foreign policy through:

- Synchronization of the President's and Foreign Minister's activities through legal and program documents;
- Restructuring and reorganizing the Ministry of Foreign Affairs;
- Developing a network of diplomatic and consular offices;
- Using strict criteria in the accreditation of diplomats;
- Providing financial personnel strengthening of the diplomatic and consular offices;

European Union integration

The integration of the Republic of Macedonia should be based on shared European values, such as the rule of law, the respect of human rights and freedoms, social justice and responsibility, equal rights and opportunities and solidarity.

The Republic of Macedonia belongs to Europe historically, culturally and geographically. Full membership of the Republic of Macedonia in the European family will contribute to strengthening, stabilization and economic prosperity of the country. For accomplishing this foreign policy goal, we will strive to:

- Implementation of the EU-recommended reforms so that the country satisfy the criteria for becoming a full member of the EU;
- Fully respect the due dates in the Stabilization and Association Agreement;
- Improve competitiveness of the economic entities and provide a chance for them to be competitive on the European and world markets;
- Improve the capacity of the judiciary;
- Development of democracy and political stability through further implementation of the Ohrid Framework Agreement.

NATO integration

NATO membership, the most important political-security and military organization in the world, is a process we will strive for. An alliance between Europe and the USA contributes to strengthening world peace and stability, as well as for further deepening of democracy and freedom on a global level. We will work for strengthening integration in the Northern Atlantic structures, which will lead to full NATO membership. The specific tasks related to this are:

- Deepen dialogue with NATO in the framework of the Northern Atlantic Council for Partnership and the Partnership for Peace;
- Carry out the obligations of the Republic of Macedonia entailed in the Action Plan for NATO accession;
- Equip Macedonian Army according to the NATO standards;
- Fully maintaining operative readiness of the armed forces of the Republic of Macedonia in accordance with the NATO standards;
- Acting in the frames of international operations under NATO command;
- Negotiate bilateral agreements for military, military-technical and military-industrial cooperation, as well as cooperation with the member-states of the Northern Atlantic Alliance and other countries recognized as leading candidates for NATO membership;
- Promote our NATO membership candidacy at home and in international political circles through a coordinated effort of public institutions and structures of civil society;

In order to intensify Macedonia's integration in NATO, we will continue to strengthen our democracy and develop our civil society. We will become active participants in the international efforts to fight against shared security threats and continue with the army reforms in order to satisfy the NATO standards. Herewith, we will create a small and efficient army with specialized units, which will also contribute to the concept of strengthening NATO. In addition, we will intensively cooperate with the allies in the Partnership for Peace and intensify the cooperation in the frames of the Adriatic Charter, since we see it as an important instrument for our NATO accession.

Concerning Macedonia's membership in NATO, we will strive for faster and more efficient completion of the reforms necessary for membership in the Alliance through:

- Reforms in the judicial system;
- Reforms for prevention of corruption;
- Reforms in the defense sector

Modern diplomacy

Globalization is an imminent process with great significance for economic development of every country, which has an impact on the concept of modern diplomatic service. Promoting the economic interests and priorities of Macedonia abroad will be one of the most important operational tasks of Macedonian diplomacy. Considering that economic development is a priority of the Government of the Republic of Macedonia, the diplomatic service will function to contribute to achieving this goal. It will actively help Macedonian exporters in conquering new markets and promoting investment opportunities in Macedonia. In addition, the diplomacy will specialize in representing the cultural, artistic, scientific, athletic and other achievements of Macedonia. For this purpose, it is necessary to create a trained and highly professional diplomacy, as well as instate administration capable of providing quality support to diplomatic and consular offices abroad.

Macedonia without visas

Free movement of Macedonia citizens in Europe will contribute to strengthening of European values in our society; expanding the citizens' perspectives, creating an unimpeded flow of ideas, knowledge, cultural and scientific achievements; all for the purpose of intensifying the process of making Macedonia European. In the next four years we will undertake comprehensive and coordinated activities in order to abolish the visas for Macedonian citizens currently necessary for traveling to EU member-states.

There will be a close cooperation with the European Commission and with member-states individually, to create necessary pre-conditions for abolishing the visas. Negotiations for bilateral agreements for re-admission with all EU member-states will be intensified. Legal acts will be passed to criminalize the breaking of the EU immigration laws and to strengthen the measures against the organizers of illegal border-crossing. The integral borders organization will be fully implemented, in accordance with the EU standards, domestic measures will be strengthened, as well as regional cooperation in the fight against organized crime, trafficking of people and drugs, money laundering and terrorism. The purpose of these measures is to enable honest citizens to freely travel to the EU countries and eliminate possibilities of engaging in criminal activities across the border.

Care for Macedonian citizens abroad

The Government of the Republic of Macedonia will take special care for Macedonian citizens who live and work abroad, with an emphasis on young, professionally educated

personnel, which will be actively involved in the reform processes in the Republic of Macedonia. The Government will enfranchise the Diaspora in the diplomatic and consular offices. Besides, The Government will re-open the Emigration Agency.

Regional cooperation

The Government will support initiatives for strengthening regional cooperation, which will contribute to a faster EU integration of the region. The Republic of Macedonia should have a leadership role in regional cooperation. We are facing the challenge to turn Southeast Europe into a stable, safe and prosperous part of Europe. Strengthening regional economic cooperation will improve the national economy, reduce unemployment, improve living standards, and improve the competitiveness of companies. Therefore, the Government supports creating a free trade zone in Southeast Europe through integrating the SEE countries into CEFTA, and in other forms, which will contribute to overcoming the small-market limitations, positively influence foreign investors and contribute to an increase in direct foreign investments.

Special attention will be paid to building good relations with neighboring and other countries from the region in the sphere of politics, economy, culture, education, science and in other spheres of life. For this reason, we will support projects for cross-border cooperation and creation of more Euro regions.

Setting the status of Kosovo is one of the most important questions that the region is facing with. The Republic of Macedonia will completely support a solution arranged by the political representatives from Kosovo and Serbia, in cooperation with the international community. The demarcation of the northern border is a key foreign policy issue for the Republic of Macedonia. The solution of this issue will positively influence not only the stability of Macedonia, but also the stability of the entire SEE region.

We will continue negotiations with Greece under the auspices of the United Nations related to the name differences, the basic postulate of which will be preserving the right to use the constitutional name in accordance with the international principles.

We will especially strive for respect of minority and national rights of Macedonians who live on the territory of our neighbors.

Within the foreign policy, a special place will be given to further improving existing good neighborly relations in the Balkans with all our neighbors: Serbia, Bulgaria, Greece and Albania. The improvement of relations with our neighbors will be based upon equal terms and mutual respect. We will create joint projects in the fight against terrorism and organized crime in the region, as well as joint economic projects, the assets for which will be acquired from the pre-admission European funds.

In the process, the Republic of Macedonia will be a sovereign and active subject to act as an instigator of the introduction of modern European standards in these Balkan frames.

Good governance and fight against corruption

In order to change the situation in Macedonia, the first thing is that the Government change its behavior. The new Government will have three basic operational principles: honesty, transparency and responsibility.

The Government will suppress corruption in a different way from the previous governments. In this fight against corruption the new government will coalesce with the civil sector. Only a strong coalition between the Government and the citizens can fight against this greatest evil. The fight against corruption will be conducted on two levels: a) through building standards and increasing the institutional capacity of the administration, judiciary, police, health, customs and other significant institutional sectors (this segment refers to the issues of corruption prevention, building moral values, personal integrity, etc.), and b) suppressions of deviant activities. The latter segment entails strengthening of controls and punishments for those who do not respect laws and regulations.

The Government will conduct a strong media campaign against corruption. The first document to be adopted by the Government will be the Act for Government Responsibility. The act will provide bring in fundamental changes regarding governmental general behavior and operation and its fight against organized crime and corruption.

We will adopt strict regulations which prohibit lobbying by officials, ministers, etc., for their own personal benefit. Generally, lobbying will be regulated by law, as it is in the highly developed EU countries.

The Government will not use immediate direct agreements as the primary instrument for selling state owned property, for every transaction an in every case. This will be done through open international bids. The law itself will contain only several limited possibilities for direct agreements, when multinational companies are likely to enter the country with green-field investments. However, event in these cases, the Government will have strictly determined procedures for acting in such circumstances. Since the presence of such companies serve as a guarantee for other investors, enhances the image of the country and provides opportunities for a variety of businesses and jobs, the Government has to offer them special benefit packages. Everything else has to go through international bids.

The effective engagement of civil associations is necessary. We will give much greater power and access to information to the carriers of democracy and transparency: the mass media, civil associations, the State Revision Office, the public prosecutor, anticorruption commission, youth, private sector, religious communities and other institutions.

We will introduce an innovative and efficient instrument for improving public services and fighting bureaucracy and corruption: A Civil Journal, which is successfully applied in many countries in the world. Filling in simple forms, citizens will evaluate the work of certain state institutions every three months. The government will review the summarized

results and suggest measures for the institutions where the situation has not improved in two consecutive trimesters. The Civil Journal demonstrates a negative assessment of the quality of certain institutions and services even in the following (third) trimester, the manager will be immediately changed. The same practice will also be applied at the local level. The results of the civil journals will be available to the public.

The “Electronic Government” project will function in reality and it will enable electronic access to all necessary information, documents and forms related to the Government and operation of other state institutions. Citizens will find all information in one place and will be able to retrieve forms electronically, pay taxes, etc.

We will increase transparency in adopting the budget, as the most important instrument of governmental economic policy. This will be provided by increased cooperation and participation of the Parliament, private sector, trade unions and civil associations in its preparation. In order to have enough time for detailed elaboration of collection and distribution of budget funds, the due date for submitting the budget to the Parliament will be moved back to the earlier months of the year (by September at the latest). Economic chambers, trade unions and the civil society will be transparently informed about the main directions of budget policy and its execution.

EU, OECD and UN anti-corruption Initiative of the Treaty for Stability recommendations will be fully implemented. Separate action plans for the fight against corruption will be prepared and carried out in the judiciary, customs, health, Public Revenue Office, inspection institutions, police and public administration. Authorized state institutions (ministries) will cooperate with the Anticorruption Commission and will report on the implementation of the action plans on a regular basis.

At the same time, the following anti-corruption measures will be taken:

- Zero tolerance for corruption in the Government and administrative structures (campaign on all levels, appropriate penal policy)
- Introduction of internal control systems in the administration, following the example of multinational companies, adapted to the public administration.
- Full transparency in the process of public procurements, using electronic announcement of the bid, the name of the winning companies, complaints and decisions.
- Establishment of an Agency for fight against organized crime and corruption with a broad spectrum of responsibilities for initiating procedures against individuals holding public office for whom there is indication of involvement in criminal activity. The Agency will have the ability to confiscate illegally acquired property and to make analysis of lustration possibility.
- We will significantly strengthen financial and legal independence of the Anticorruption Commission and the Public Prosecutor.
- Procedures and cooperation between the Anticorruption Commission and other institutions authorized to fight corruption will be precisely regulated.
- The Anticorruption Commission will prepare regular trimester reports and an annual summary report referring to cases of corruption of officials and politicians.

- In accordance with the EU recommendations to the candidate countries, we will establish a single independent agency authorized to verify property documents submitted by public officials, as well as the validity of the statements regarding conflicts of interests.
- Automation of customs procedures through application of sophisticated equipment for scanning trucks and containers. We will carry out an analysis of the possibility for hiring an international consulting agency for developing of the Customs, following the example of Bulgaria.
- The operation of the Customs will be integrated into a unique computerized system. We will introduce a system for customs clearance based on the risk principle. We will introduce customs clearance management that will regulate standards for the time frame and manner of implementing particular phases in the customs clearance procedure.
- Regulatory reforms will make the issuing of licenses and certificates much more transparent and simpler, which in turn will reduce possibilities for blackmail and corruption.
- The introduction of a single flat tax rate will simplify the tax procedure and will increase the transparency of tax payment.

Reform of the judiciary system

Economic development, the fight against corruption and deepening of democracy require an efficient and transparent judiciary system. Its reform will provide for efficient implementation of the laws, improvement of the investment climate, respect of personal rights, respect of civil and human rights, public order and peace. With the judiciary system reform Macedonia will approach the European Union.

The standards of the Commission for judiciary system efficiency within the European Council will be used as a starting point for reforming Macedonian legislation for court procedure organization. Four basic principles will be applied to this point:

- Independence of the judiciary system from the executive and legislative branches;
- Balancing the quality of the judiciary system with the efficient usage of allocated resources;
- Developing a standardized system for efficiency evaluation of the court procedures;
- Balancing the expediency of court proceedings and satisfying the conditions for a fair trial.

The success of the judiciary reforms depends on the alteration of the system of motivating values. Therefore, we will relate the awards for judges (salaries) with the number of solved cases and the level of reduction of the number of cases in procedure.

The appointment and promotion of judges will be transparent and base on previously determined rules and criteria. This will enable and end to political party influence and the establishment of a professional and competent legal system.

We will create specialized departments for particular types of acts such as commercial disputes, citizens' disputes, administrative disputes, bankruptcy disputes, organized crime and corruption, etc.

We will give special treatment to the specialization of courts and judges for managing disputes regarding bankruptcy procedures. Judges will participate in special training focused on microeconomics, the bankruptcy law, etc. There will be a unified fee for initiating a bankruptcy procedure. Bankruptcy managers will have to take examinations and their professional skills will be assessed at least once a year.

There will be an alternative to solving lawsuits. A legal basis for this will be provided through adoption of the Law on Arbitration and the Law on Mediation.

The creation of a database of lawsuits will enable situation scanning. Identification of "bottlenecks" and finding solutions (transfer of lawsuits from the courts and judges who have a great number of unsolved acts to other courts/judges). Computer training is planned for judges and court staff.

Justice and internal affairs

Justice and internal affairs compose the third pillar of the Treaty for the European Union and the Maastricht Agreement, in the field that formalizes the cooperation in the spheres of the judiciary and police in the EU.

The central issues in the areas of justice and internal affairs, as sectors of fundamental importance for institution building are reforms in the public administration and economic integration.

As concerns these areas, our priorities are:

- Providing the principle of the rule of law;
- Reform of the police and judiciary system;
- Harmonization and ratification of relevant regulations with those of the EU, supported by bylaws;
- Development of an efficient management system with staff and public management in accordance with the EU standards;
- Ratification and implementation of the Schengen convention, harmonization of Macedonian legislation regarding the visa regime and migration with the EU legislation and practices;
- Participation in the Schengen information system and full membership in Europol through harmonization of the legislation and performing necessary preparation;
- Introduction of integrated information systems, with due respect to regulations related to personal data security in accordance with the EU regulations;
- Introduction of special inquiry techniques in the fight against crime, including the Program for witness protection;
- Implementation of a National Strategy for integrated border management, as well as cooperation in management with the neighboring countries.

- Codification of laws in the field they refer to. All citizens should be able to learn about their rights in a quick and simple way. We are going to make codification of the laws in fields they refer to, such as construction, real-estate and legal relations, ownership rights, trade law and any other field we constantly find legal gaps in and collisions with one and only goal – improvement of the citizens’ legal security.
- Simplification and deregulation of the law. Abandoning the former practice of civil regulation in all spheres of human life through a maximum affirmation of entrepreneurship and trade organization. We comprehend deregulation as building self-regulating mechanisms within each trade. No one knows the laws and needs better than the ones they refer to. We will do this by improving the chamber and the artisan associations’ status.
- Modern penology system. Material, financial and technical modernization of prisons as well as the staff in prison offices, in order to transform them into real institutions for re-socialization.

Defense and security

We will nurture the security and stability of the Republic of Macedonia, its further development and stabilization of the region where we live. The Republic of Macedonia has experienced many tests and temptations in the past. With the contribution of every citizen, our country successfully survived crises and hurdles, and created conditions for development as a democratic state with effective rule of law.

The achievement of permanent security and stability means full NATO membership, followed by definitive change of the economic performances of the country, improvement of the quality of life and living standards of its citizens and including the country in the league of democratic states with the rule of law where strong and non-corrupt institutions guarantee democratic development of the country itself.

The new Government is faced with the challenge of finalization Macedonia’s NATO integration.

- On the road to NATO integration we will fully implement all reforms instead of offering mere declarations.
- We will continuously follow the transformation of the Alliance by respecting its agenda and adjustment to the requirements determined at the Istanbul summit.
- We will carry out timely decisions for participation and extension of operations with the Alliance.
- Participation in the fight against WMD proliferation and the new function of the army in the fight against terrorism.
- Development of effective partnership capable of meeting security threats.
- Exchange experiences in the transformation of the command and military structures of the Alliance.

The security and defense bodies, in consultation with NATO experts, will define their own reforms in the following areas:

- Determination of the optimal number of participants in the security and defense structures for the purposes of achieving NATO and EU standards;
- Modernization and equipment of the declared forces and priority units of the Macedonian Army and the Ministry of Interior;
- Full professionalism in the army and police;
- Active participation in NATO and its partners' missions and operations;

Our vision for the future entails:

- Reduction of staff and adequate personnel management;
- Implementation of the programs for equitable and fair representation of ethnic communities;
- Continuation of the transformation of the Macedonian Army, which shall be completed by the end of 2007;
- Increased participation of the Macedonian Army in international peace-keeping operations;
- Full equipment of the declared forces by the end of 2006 and their participation in the Alliance's missions;
- Transformation of the military healthcare and military education;
- Completion of the process of the Police transformation;
- Enhanced activities for integrated border management – border security;
- Coordination of intelligence and security services in the country.

Education

High quality education is the basic impetus for social and economic development. The state has constantly to invest in the promotion and modernization of the educational system. Only through strong intellectual development Macedonia can become equal to other European countries and Macedonian workforce can increase its competitiveness in all economic spheres.

The Government of the Republic of Macedonia anticipates the following policies and reform measures:

- Increase of the budgetary funds for education to 5 per cent of GDP, following the EU and OECD average.
- Free-of-charge primary school textbooks for families which cannot afford purchasing new ones.
- Renovation of dormitories in order to create decent living conditions for future intellectuals.
- Building a new dormitory in Skopje.
- Free Internet access in dormitories.
- "Education all around the world" Program. In accordance with European practices regarding continuous learning, we will introduce and support forms of informal (additional) education and training throughout the working career.
- Introduction of Ethics and Religious in education in primary schools as mandatory subjects for one or two years.

- “Every child goes to school” Program. Mandatory primary and secondary education with serious penalties for parents whose children do not go to school.
- Introduction of IT as a mandatory school subject in primary schools and full computerization of schools.
- Early studies of foreign languages. We will introduce mandatory English language classes starting from the first grade, and a second foreign language starting from the fifth grade.
- Control of the quality of education through nationally standardized tests.
- Dual system of education, entailing practice and assessment of practical knowledge, following the example of Germany.
- Stimulating and respected environment in primary and secondary schools.
- Modernization of all level school syllabus, especially those for high school and college education, in order to produce professionals trained to operate in the modern market economy.
- Support for establishment of private high schools and universities.
- Attract world-renown universities to open their branches in Macedonia.
- Opening a new state university in the eastern part of Macedonia with a main campus in Stip, and colleges in other cities such as Strumica, Kocani, Sveti Nikole, etc. Initially, the university will consist of six faculties: Faculty of IT, Faculty of contemporary music, Faculty of agricultural sciences, faculty of economics (departments: health management, international economy, agricultural management, business administration), Faculty of food processing technology, Higher school of healthcare and Faculty of law.
- Method of project financing for higher education, in order to transform the universities into centers of science, like in many countries in the world.
- Closer connection between domestic faculties and respective foreign faculties and institutes through joint activities, such as international projects, student and teacher exchange, workshops, seminars and congresses.
- Assessment and ranking of higher education institutions by an independent agency (possibly foreign one) in order to stimulate competition of ideas and syllabl.

Investing in sports and physical activity

The Government will pay special attention to sport and physical activity as a basis for development of healthy persons and more quality workforce:

- Gradually, we will introduce physical education every school day (from Monday to Friday) in primary and secondary schools. This implies an increase in the number of school gyms and improving the quality of existing ones;
- The Government will invest in construction of 50 subsidiary soccer courts in the country for development of youth and team soccer, equally distributed throughout the territory of the Republic of Macedonia. The subsidiary soccer courts can provide good soccer players and quality professional soccer teams;
- The Government will invest in construction of a large number of sports facilities for recreational and top sports, for practice and competitions in different kinds of

- sports (indoor soccer, basketball, handball, weight lifting, gymnastics, volleyball, boxing, karate, table tennis, tennis, and others);
- We will stimulate the private sector to invest in construction of commercially-based sports facilities;
 - Investments in coaching schools and coaches for the top sports, building strong sports teams and athletes;
 - Completion of the construction of the big sports hall in Skopje;
 - Creating legislation for a clear proprietary structure in sports clubs;
 - Strict criteria for a control over teachers and professors of physical education in direction of giving their best so that all students learn and practice the basics of all sports during the educational process, and a maximum effect of school classes;
 - As regards sports which cannot be practiced in schools due to inappropriate condition (such as swimming pools and athletics lanes), visits will be organized to specialized facilities with necessary conditions for practicing those sports.

Science

Macedonian science needs encouragement and essential reform. Enhancement of scientific and research work will create conditions for keeping quality university-educated personnel to stay in the country and using scientific-research activity in function of private sector development. The policy of the Government will be motivating for repatriation of scientific personnel from the Diaspora. In this respect, the following reform measures and policies are anticipated:

- Increase investments in scientific-research infrastructure to create basis for application of modern research methods;
- Budgetary funds for scientific-research work in function of the private sector, following the example of more developed European countries;
- Encourage and support science through fiscal policy;
- Granting favorable and stimulating loans with payment deadlines up to 30 years for newly-weds with university education;
- Promotion of cooperation with scientific-research institutions abroad for better knowledge transfer;
- Establishment of strict and fair criteria for personnel selection in scientific-research institutions;
- Support of the cooperation between scientific-research institutions and economic institutions.

Information technology and e-society

The basic preconditions for decreasing unemployment are economic revival, entry of private domestic and foreign capital, as well as investments in high quality and educated labor force. In this respect, improving the quality of IT education is of highest importance. Accordingly, the primary objective of the Government will be urgent and continuous investment in computer science and IT in order Macedonia and its citizens to keep pace with the modern information technologies in Europe and worldwide:

- Setting up IT Ministry;

- Computerization of Macedonia: supplying 50,000 inexpensive computers in cooperation with the private sector, partly as donations for schools and partly offering to citizens (at purchase price with installment payment);
- Wireless network installations and temporary usage of free Internet services throughout the country;
- Wide-encompassing training in computer literacy, Internet usage and office administration programs, as well as providing second hand computer equipment at acceptable prices;
- Introduction of a mandatory IT subject in primary schools, as well as full computerization of schools;
- Connection of all border crossings in Macedonia into a centralized information system compatible with the EU system;
- Implementation of an integrated medical information system and introduction of e-health card;
- Computer system for court files management;
- Computerization of the procedure for issuing personal ID documents at the Ministry of Interior;
- Digitalization of the Cadastre and application of geographic-information system (GIS);
- Promotion of non-cash payment, e-trade, e-banking and e-government.

Healthcare

In the next four years we will work on improving the quality and increasing transparency and efficiency of the healthcare system.

Quality of services:

- Improving rights of patients in all medical interventions;
- We will pay special attention to health of children and young people under 18, pregnant women, people over 65, special categories of people (disabled persons, orphans);
- Standardization of all illness treatment in order each patient gets equal service and care in all healthcare institutions;
- Initiation of a process for publishing the number of all doctors' mistakes and their causes;
- Improvement of conditions in waiting rooms and patients' rooms in all hospitals.

Modernization and managements

- Setting up a team for modernization and improvement of the healthcare sector. The team will manage the entire process of transformation of the healthcare system and will assist all healthcare institutions in increasing effectiveness and cutting costs;
- Special management programs designed to help healthcare personnel to adjust their work more easily to fully meet the needs of citizens;

- As a part of the State health protection institute, we will establish a 24-hour information and health prevention center, which will significantly improve citizens' access to information;

Health insurance:

- All citizens will be provided with a clearly defined and unique healthcare service package. We will provide information for citizens how to exercise their health insurance rights;
- Implementation of fair principles in allocation of funds in the healthcare system, according to the principles of solidarity, fairness and efficiency;
- The Health insurance fund will have the role of a strategic buyer of health services. The responsibilities for providing medicines and medical equipment will be transferred from the Health insurance fund to the hospitals and clinics;
- Introduction of professional management with professional contracts, chosen in an international procurement offer, following the principle of two managers with a so-called bound signature, i.e. the "four eyes" principle;
- Reduction of expenses and enormous bureaucracy in all spheres of healthcare system;
- Specification and realization of contracts between the Fund and all other healthcare institutions.
- Creating conditions for introducing competition in the health insurance system.

Primary health care

In order to improve the role of primary healthcare services, we will stimulate a new approach called Community-oriented primary health protection.

- New age of primary healthcare service composed of multidisciplinary teams with a strong sense of responsibility for the health of people in the community;
- Adjusting the capitation model in order to provide jobs for all doctors in the primary healthcare services;
- Creating conditions for young doctors to also have the possibility to make their own lists of patients;
- Improvement of the status and role of nurses;
- Stimulation for doctors in providing primary healthcare according to the quality of services provided.

Pharmacy

Implementation of reforms will improve supply of quality medicines for citizens.

- Simplification of the procedure for registration of medicines, supplementary medicines and medical appliances;
- Introduction of a special VAT rate for medicines;
- Introduction of a reference price system;
- Equalization of medicine prices in all pharmacies.

New generation hospitals

We will improve efficiency and work conditions in all hospitals in the Republic of Macedonia through:

- Defining the legal status and ownership of all healthcare facilities ;
- Accelerating the process of decentralization and autonomy in management of healthcare institutions;
- Hospitals will be managed by two directors, one of whom a manager-economist, with the so-called bound signature method, i.e. the “four-eyes” principle, with passing a special exam for hospital management;
- Precise definition of staff rights and responsibilities;
- Increase of the budgetary fund percentage intended for capital investments and maintenance of facilities.
- Establish criteria for concluding cooperation contracts with existing private hospitals.

Private healthcare

Our healthcare system will not make difference between public and private healthcare providing that patients get necessary health protection.

- We will gradually increase the number of citizens who receive services in the primary healthcare system based on previously determined indicators.
- For the first time in Macedonia, we will create conditions for setting up private, but non-profit hospitals. Such hospitals are missionary-oriented and they already exist in most developed countries. Certain healthcare capacities will be offered for management to private non-governmental organizations, without profit. This will open an opportunity for out emigrants to manage future projects of this kind.

Decentralization policy

Most of everyday issues important to citizens can be solved in efficient and economic way at local level. Therefore, many of the previous responsibilities of the Government were decentralized and transferred to the local government. However, in most cases, local governments only have modest possibilities at their disposal for practicing all their newly assigned responsibilities. The Government will take actual steps for financial, material and HR support for the local governments, without questioning their integrity. In association with the local governments, the Government will strive for providing necessary legal framework aimed at more successful functioning of the local government, particularly in the sphere of education, tax income share between the central and local government, methodology of budget transfer to the local government, etc.

Culture

We understand culture as a significant aspect of Macedonia’s EU integration process. As a country rich in culture, tradition and spiritual historical values, the Republic of Macedonia will contribute for enriching European culture and spiritual system value. The Program of the Government anticipates the following activities in the sphere of culture and cultural heritage:

- Promotion of culture in function of general development of the country by increasing the percentage of budgetary funds set aside for this purpose.
- Development of cultural and ambient tourism as one of the largest possibilities for promotion of Macedonian culture and for making additional revenue;
- Stimulating tax policy in culture aimed at creating higher cultural values and improving conditions for cultural institutions and cultural workers;
- Association and membership in international associations, funds and foundations for using technical, financial and professional assistance.
- Initiatives and openness for joint projects in all areas of culture;
- Increased care for national cultural values and interests through establishment of an efficient financial and value system in culture which will be carried out on solid criteria, priorities and principles in accordance with European standards and criteria;
- Equal nurturing of religious traditions, customs and religious objects of all other religious communities.

Planned projects in the next four-year period include:

- Complete restoration of Skopsko kale;
- Investments in operations of archaeological sites;
- Investments in construction of new museums (Museum of VMRO, Museum of the victims of communism);
- Restoration of authentic cultural monuments (The City Tower, the Skopje Theatre destroyed in the earthquake and construction of a City House);
- Construction of a new concert hall;
- Renovation and reconstruction of churches (including the Millennium Cross) and returning denationalized property to the Church;
- Protection of intellectual, industrial and trade property rights harmonized with those of the EU, also including effective means for execution of those rights;
- Fighting piracy through a systematic solution of the most evident problem in the country, by implementing a strategy which will comply with the economic standards of the country;

European perspective for young people

The ideas and power that young people possess are our main ally in realization of the vision for creating democratic, modern, prosperous and European-oriented Republic of Macedonia. Young people in any country represent a separate social category which offers perspective for the country, but also has its own specific needs and demands.

- We will build the Republic of Macedonia as a state which will ensure development of capacities that will be at disposal to young people;
- Special attention will be paid to young people in villages by improving possibilities for development of culture, sports and education;
- We will work on retaining young and educated people in the country;
- We will promote active involvement of youngsters in society through introduction of institutional mechanisms by the state;

- Increase the scope of youth organizations, their activities and their involvement in non-governmental organizations;
- We will improve and increase youth involvement in sports and recreational activities;
- Consider possibility for establishing Young Talents Fund for financial support and stimulation of young talents in the areas of sports, culture and education;

Effective work with marginalized youth groups:

- Equal access for young disabled persons to the educational process;
- A campaign related to promoting and improving the rights of disabled persons;
- Stimulating employment of disabled persons.

Tourism

Macedonia has a large potential for tourism development, though very little of it has been used. Tourism is a form of export and a possibility for attracting foreign capital. During its mandate, the Government will undertake a number of measures to stimulate the tourism potential of the Republic of Macedonia and to attract foreign tourists:

- Constant and strong promotional campaign in international media, TV stations, newspapers and other means of communication. In addition, at key sites foreign tourists will be provided with detailed information on tourism sites in Macedonia.
- We will strengthen the tourist sector of the Ministry of Economy which will be in charge of promotion of tourism through constant coordination of media campaigns in major media worldwide;
- Preparation of modern promotional materials in at least five European languages;
- We will give our assistance to attract large hotel management companies to invest in Macedonia;
- Attract world-renown tour-operators which will bring tourists;
- Promotion of rural, monastery, wine and spa tourism;
- Presentation of Macedonian cultural and historical heritage through organized visits to churches and monasteries in the country;
- Preparation of Macedonian Village project as a national tourist attraction;
- Completion of the entire infrastructure in Macedonian tourist centers, making a complete offer of cultural programs, regular transportation, road signs in English, more and more readily available information for tourists, organized tours, etc.;
- Maintaining of the airports and border crossings;
- We will invest in maintenance of all tourist attractions, such as museums, archeological sites, hotels, restaurants, camps and resort camps;
- Cooperation with private (domestic and foreign) entrepreneurs who wish to build facilities for accommodation of foreign tourists;
- Improving behavior of customs officers and police officers at the border crossings;
- We will carry out a detailed assessment review of all tourist attractions in Macedonia, including museums, archeological sites, hotels, restaurants, camp-grounds, etc.;

- Providing infrastructure for resting areas along the highways.

Other services

In addition to the tourism development, we will enhance and modernize the offer of other services in all spheres of social life:

- Improved efficiency of banking services through greater competition and application of international banking standards. The Government will create atmosphere for attracting a number of foreign brand-name multinational banks to invest in Macedonia. These banks will strengthen competition, increase quality of services, introduce new banking packages and services, tighten security, introduce a new business philosophy and become a good basis and support for all future foreign investors in Macedonia, which insist on brand-name banks;
- Offering high quality medical services (dentistry, plastic surgery, spa treatment and rehabilitation) for foreign users, mainly patients from neighboring countries. The Government will provide budgetary support for promotional campaigns for these services in media of our neighboring countries. A part of the funds intended for capital investments in the healthcare budget will be used to support the private initiatives in providing this type of services;
- Business services related to IT (outsourcing);
- Transportation services, making use of the country's central position in south-east Europe. The Ministry of Transport and communication will provide timely and efficient issuance of TIR-carnets and licenses for private transporters.

Environmental protection and improvement

The strategic determination of the Government is to integrate all aspects of environmental protection at all levels in order to provide conditions for realization of the constitutional right of any citizen to a healthy environment.

We will promote economic instruments for environmental protection for the purpose of stimulating pollution decrease through:

- Approximation of national legislation to EU legislation;
- Introduction of economic instruments for environmental protection according to the "polluter pays" principle;
- Introducing tax and customs incentives for implementation of ecologically recommended technologies;
- Information system for monitoring the quality of water, air and solid, radioactive and medical waste;
- Projects for gasification of households and usage of natural gas as an ecological energy supply in the industry;
- National strategy for protection of nature for a 20-year period with setting up a Register of natural wealth and categorization of protected areas;
- Priority forestation of rural and urban areas of at least 2,500 ha/year;
- Calculation of the expenses for environmental protection directly into the price of goods, services or activities that lead to them;
- Adopting a national program for monitoring situations and managing data related to the environment;

- Development of national indicators for monitoring the environmental conditions;
- Preparation of Environmental Cadastre that will include the cadastres of polluters of air, water, soil, cadastres of waste and cadastres of protected areas;
- Establishing a national monitoring network which will consist of state monitoring networks and local networks;
- Realization of a program for raising public consciousness about the environment which will include training, education, public campaigns, polls, publishing scientific popular editions, single website and local self-government;
- Projects related to the pollution and natural resources management area.