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HACI BAYRAM VELİ ÜNİVERSİTESİ

LİSANSÜSTÜ EĞİTİM ENSTİTÜSÜ

**THE IMPACT OF FOREIGN DIRECT INVESTMENTS
IN NORTH MACEDONIAN PUBLIC ADMINISTRATION**

Gjulnear SALIJI

**Thesis Supervisor
Prof. Dr. Kamil Ufuk BILGIN**

**MASTER OF SCIENCE
INTERNATIONAL RELATIONS AND PUBLIC ADMINISTRATION**

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Gjnlnear Saliji tarafından hazırlanan “The Impact of Foreign Direct Investments in North Macedonian Public Administration” (Doğrudan Yabancı Yatırımların Kuzey Makedonya Kamu Yönetimi Üzerindeki Etkisi) adlı tez çalışması aşağıdaki jüri tarafından OY BİRLİĞİ / ~~OY ÇOKLUĞU~~ ile Ankara Hacı Bayram Veli Üniversitesi Kamu Yönetimi Anabilim Dalında Amme İdaresi Bilim DalındaYÜKSEK LİSANS TEZİ olarak kabul edilmiştir.

Başkan:Prof. Dr. Kamik Ufuk BİLGİN

Kamu Yönetimi, Ankara Hacı Bayram Veli Üniversitesi

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Üye :Prof.Dr. Mustafa Kemal ÖKTEN

Uluslararası İlişkiler,Hacettepe Üniversitesi

Bu tezin, kapsam ve kalite olarak Yüksek Lisans Tezi olduğunu onaylıyorum/~~onaylamıyorum~~.....

Üye : Dr. Serpil Güdül

Uluslararası İlişkiler, Ankara Hacı Bayram Veli Üniversitesi

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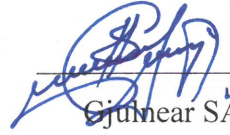
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Gijunear SALIJI

30.12.2019

Doğrudan Yabancı Yatırımların Kuzey Makedonya Kamu Yönetimi Üzerindeki Etkisi
(Yüksek Lisans Tezi)

Gjulnear SALIJI

ANKARA HACI BAYRAM VELİ ÜNİVERSİTESİ
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ÖZET

Sanayi devriminden sonra yaşanan gelişmeler sonucunda kalkınma unsuru ve bu unsurun üzerine yapılan politikalar genel olarak ülkelerin ve siyasilerin gündemini oluşturmuştur. Kalkınmış ve kalkınmamış ülkeler olarak bakıldığı zaman ise hep bir modernizasyon, sanayileşme ve bu noktada yapılabilecekler konusu ele alınmıştır. Tezimizde işlenen Doğrudan Yabancı Yatırımlar da kalkınmamış ülkelerin dünya dinamiklerini yakalamadaki en kolay adımı görülebilmektedir. Özellikle Kuzey Makedonya gibi ufak bir ülke için uygun olan bu öge; hem işsizliğin azaltılması hem sanayileşmenin oluşumu hemde birçok diğer getirisiyle ülke tarafından bir fırsat olarak bakılmıştır. Ülke kendi içinde yaptığı yasal ve yapısal değişikliklerle Doğrudan Yabancı Yatırımcıyı çekmeye çalışmaktadır. Hem coğrafik konumu hemde yatırımcılar için uygun şartları ile gündem oluşturan bu ufak Balkan ülkesi bu politikalar doğrultusunda birçok kanun ve uygulama değişikliğine gitmiş ve bu liberal değişiklikler ülkenin hem global dünyaya hemde avrupa birliğine uyum sağlamasına neden olmuştur. Ülkenin tanıtımının yapıldığı tezde Doğrudan Yabancı Yatırımlar için atılan adımlar ele alınacak ve kendi coğrafyasındaki komşu ülkelerle kıyaslaması yapılacaktır.

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The Impact of Foreign Direct Investments in North Macedonian

Public Administration

(Master of Science)

Gjulnear SALJI

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ABSTRACT

As a result of the improvements after the industrial revolution, the development factor and the policies implemented on this factor constituted the agenda of the countries and politicians in general. When it's considered as developed and undeveloped countries, the issue of modernization, industrialization and what can be done at this point has always been discussed. In this thesis, Foreign Direct Investments can be seen as the easiest step of developing countries to capture the dynamics of the world. Particularly suitable for a small country like Northern Macedonia; it has been viewed as an opportunity by the country with both the reduction of unemployment, the formation of industrialization and many other profits. The country is trying to attract Foreign Direct Investors through legal and structural changes. This small Balkan country, which is on the agenda with its geographical position and suitable conditions for investors; in line with these policies, many laws and practices have changed and these liberal changes caused the country to adapt to both the global world and the European Union. In the dissertation, that the country is introduced, then the steps taken for Foreign Direct Investment will be discussed and compared with neighboring countries in its own geography.

Science Code : 111620

Key Words : Foreign direct investments, development, public policies, employees

Page Number : 87

Supervisor : Prof. Dr. Kamil Ufuk BILGIN

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Due to the institutional problems experienced during my thesis writing I had to change my thesis supervisor, my new thesis supervisor is dear and respected Prof. Dr. Kamil Ufuk Bilgin. I would like to express my sincere thanks to Kamil Ufuk Bilgin. Perhaps I would not have completed this thesis if he was not at this institute; he will always stay as a good example in my life. *Hocam, Teşekkür Ederim!*

Educational institutions are standing with a portion of the taxes collected from citizens, and it is ensured that the determined young people receive education. I owe a debt of gratitude to the beautiful and hospitable Turkish nation.

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ABBREVIATIONS

The abbreviations used in this study are presented below with their explanations.

Abbreviations	Explanations
APST	Agency for Promotion and Support of Tourism
CEFTA	Central European Free Trade Agreement
EFTA	European Free Trade Association
EU	European Union
FDI	Foreign Direct Investments
GDP	Gross Domestic Product
ICT	Information and Communication Technology
NATO	North Atlantic Treaty Organization
NGOs	Non-governmental organizations
NLA	Albanian National Liberation Army
OECD	Organization of Economic Cooperation and Development
OSCE	Organization for Security and Co-operation in Europe
TDZ	Tourism Development Zones
TIDZ	Technological Industrial Development Zone
UN	United Nations
USD	United States Dollars
WB	World Bank
WTO	World Trade Organization

INTRODUCTION

After the dissolution of Yugoslavia, the newly established Republic of Macedonia faced many problems due to the name of Macedonia. The country was unable to represent itself at many international institutions, due to its troubles and obstacles with Greece. Republic of Macedonia, which declared its independence in about half of the historical region of Macedonia, was not recognized by Greece and its membership in many international organizations and unions was denied.

This young country, which could not use the industrial accumulation from Yugoslavia, had to change its flag in 1995 in line with the pressures and accepted to change its flag in order to become a member of UN. Since, sun sign in existing red was in Greek mythology, it changed its flag with a more geometric drawing pattern of the same shape, and Greek repressions diminished but did not end.

This young country could not use its industrial accumulation from Yugoslavia in 1995, Macedonia had to change his flag and agreed to change his flag's figure to become a member of UN. Since the sun sign in the existing red was in Greek mythology, it changed its flag with a more geometric drawing pattern of the same shape, and Greek repressions diminished but did not end.

Unemployment and economic crises were the most serious problems for the newly formed governments. The country has taken many steps to develop and overcome these problems. The Macedonian governments, which had survived the privatization process with weak success, were unable to cope with the development and industrialization in the world, and many of their own people emigrated to work in European countries. These problems had to provide an immediate solution and make Macedonia livable.

Macedonian government was seeking solutions to maintain stability within the country and the region. At the same time with similar solutions was looking for solving the unemployment problem with working under good conditions and to satisfy the citizens with the governmental politics. In addition to many policies, it decided to attract Foreign Direct Investors and followed many subsidies and policies in this direction.

The topics we will cover in this thesis will be about these policies and in which areas they will develop. Since attracting Foreign Direct Investment is an issue that is on the agenda of many countries and international organizations, this section will be compared with

Macedonia's own neighbors and the data obtained will be investigated.

The method used in this comparative analysis examines the values that countries see on the same issues. Initially, FDI stocks in Albania, Bulgaria, Greece, Serbia and Northern Macedonia were handled annually. The cost of starting business index of the countries in the sample will be measured, and the highest achievements among them will be calculated. The annual unemployment rates in these countries have been reviewed, and it is particularly important to mention the impact of FDI on unemployment.

The business freedom index of these countries was also calculated. In this comparison, the values of country policy are also taken into consideration. Then the economic growth of Northern Macedonia and its neighboring countries was measured on a yearly basis.

One of the most attractive issues in FDI is tax rates. In the comparison section of the thesis, tax rates will be compared. Tax rates that may be considered preferable for FDI, may vary between countries.

Finally, the economic freedom index will be compared. At this point, the general initiatives of the country will be collected and scored and then compared with each other.

PART I

HISTORY OF NORTH MACEDONIA AND PUBLIC ADMINISTRATION

1.1. Macedonia's Independence

In Yugoslavia, which was divided into six republics and two autonomous administrations, after the rapid developments in both the internal politics of Yugoslavia and international relations, the ruling classes of the Communist Party republics determined the national interests and acted according to these interests. These and for reasons stated above, is divided into three intellectual Yugoslavia was observed in this process. According to this; In the first group, Slovenia and Croatia, who wanted to leave Yugoslavia and join the Central European group of states, and in the second group, Serbia and Montenegro, which advocated the idea of a tightly integrated federation, were both afraid of the disintegration of the country and of living under Serbian rule. Herzegovina and Macedonia were included in the third group. Thus, the mind can be said to be divided into three in Yugoslavia. In addition to the aforementioned groups, Yugoslav People's Army in addition to protecting the integrity of the country's policy has continued since attitudinize the socialist system.¹

Macedonians, about the disintegration of Yugoslavia, despite having several concern shave held back from being affected by the spreading wave of nationalism among the Yugoslav Republics. The Republic of Macedonia, which was previously defined as “the Republic of Macedonian, Albanian, Turkish and other ethnic groups” by the Socialist Constitution of Macedonia in 1989, it was changed to “the Republic of Macedonians and other people and ethnic groups”². By this change Turks in Macedonia has been removed from the new constitution of Republic of Macedonia.

On the other hand, since the first multi-party election took place in Macedonia on 11 November 1990³, the Macedonian Parliament held its first meeting on 8 January 1991 and applauded the Declaration of Sovereignty on 25 January 1991. In declaration was stated that: the Macedonian people had the right to leave the federation of Yugoslavia and that future negotiations with other republics forming the federation would be followed

¹ PREDRAG Simic, (1996) “Yugoslavya Krizinin Dinamikleri”, Avrasya Dosyası, Vol.3, S.3, Ankara, pp.16-18

²ÜLGER İrfan Kaya, (2006) “Balkan Gelişmeleri ve Türkiye: 1990’lı Yıllar içinde” 21. Yüzyılda Türk Dış Politikası, Ed. İdris Bal, Ankara: Ankara Global Araştırmalar Merkezi Lalezar Kitabevi, pp. 247 – 269.

³ERDOĞAN Büşra, “Makedonya’da Seçimler ve Türkler”, <http://www.turksam.org.tr> (19.12.2019)

according to the decision of Macedonia on the right to independence, and then Kiro Gligorov was elected by the parliament on 27 January 1991 as the President of Macedonia⁴.

Yugoslavia's disintegration, civil war and independence in the process of forming the federal structure of the nation, every nation has started to make a referendum for their independence. Since, Macedonia passed a referendum on independence on 13 August 1991, one of these referenda took place on 8 September 1991 in Macedonia. 94% of those who participated in the referendum on independence in Macedonia voted for independence. This result was welcomed in Macedonia. But this decision the Great of Macedonia (Vardar, Aegean and Pirin of Macedonia) brought the issue back on the agenda. However, this decision brought the issue of "Great Macedonia" back on the agenda in Balkans. In the face of these situations, while Bulgaria was positive on the issue, Greece started to worry and showed their reactions. This situation has led to an increase in Macedonia and Turkey relations.

This decision did not go in the direction of independence of the Macedonian Parliament to immediately perform and formalize the way, the developments were followed by more time monitoring policy. He followed a realistic policy, which exhibit emotional and hasty behavior has closely followed developments. Macedonian Parliament in a referendum held at the meeting which was made on 17 September 1991. The vote on the independence of the decision taken. After the voting has been declared the independence of Macedonia.⁵

After gaining independence, leaving the Federal Army of Yugoslavia and solving the problems with Albanians and other ethnic groups in domestic politics to a great extent, the main problems facing Macedonia were faced in the foreign policy and the border neighbors started to have important problems especially with Greece. Here; the rivalry between the Macedonian nationalists claiming rights in the Aegean and Pirin Macedonia and the nationalists who adopted the ideas of "Great Greece" and "Great Bulgaria" were effective in unifying all Macedonians.

⁴ HATİPOĞLU M. Murat, (2001) "Kuruluşundan Günümüze Makedonya Cumhuriyetinin Dış Politikası ve Balkan Ülkeleriyle İlişkileri (1991-2000)", Balkan Diplomasisi, Ed. Ömer E. Lütem, B. Demirtaş Coşkun, Avrasya Stratejik Araştırmalar Merkezi Yayını, Ankara. p,165.

⁵MUJEZINOVIC Mirzet, (2007) "Avrupa Birliği'nin Batı Balkan Politikası Çerçevesinde Bosna Hersek ile İlişkileri", Uluslararası Hukuk ve Politika, Vol.3, Is.12, Edirne, p, 68.

The biggest reaction to Macedonia's independence in this process came from Greece. Greece stated that Macedonia does not have the right to use its name, flag and national coat of arms and defined Macedonia as the “Republic of Skopje”. The Greek Government, who did not want to use the Macedonian word, described the Macedonians as “Skopjeers”⁶. However, such studies described, it will not prevent the recognition of Macedonia from other states.

The Republic of North Macedonia is a country in the Balkan Peninsula in Southeast Europe. It is one of the successor states of Yugoslavia, from which it declared independence⁷. In September 1991 under the name Republic of Macedonia it was declared. A landlocked country, North Macedonia has borders with Kosovo to the northwest, Serbia to the northeast, Bulgaria to the east, Greece to the south, and Albania to the west. It constitutes approximately the northern third of the larger geographical region of Macedonia, and is defined primarily by mountains, valleys, and rivers. The capital and largest city, Skopje, is home to roughly a quarter of the nation's 2.06 million inhabitants. The majority of the residents are ethnic Macedonians, a South Slavic people. Albanians form a significant minority at around 25%, followed by Turks, Romani, Serbs, Bosnians, and Romanians.

A unitary parliamentary constitutional republic, North Macedonia is a member of the United Nations (UN), Council of Europe, World Bank (WB), Organization for Security and Co-operation in Europe (OSCE), partnership of peace PfP, Central European Free Trade Agreement (CEFTA), and the World Trade Organization (WTO). Since 2005, it has also been a candidate for joining the European Union (EU) and has applied for The North Atlantic Treaty Organization (NATO) membership; it is expected to join the latter by the end of 2019. North Macedonia is an upper-middle-income country and has one of the lowest per capita Gross Domestic Products (GDP) in Europe. Despite that, the country has undergone considerable economic reform since independence in developing an open economy. North Macedonia ranks high in terms of human development, and provides a

⁶RAMET, P. Sabrina, (2002), “Balkan Babel: the Disintegration of Yugoslavia from the death of Tito to the fall of Milosevic” Fourth edition, Avalon publishing, New York, p.158.

⁷Macedonia a profile, geography and climate, https://www.pwc.com/mk/en/about-us/doing_business_guide.html (31.12.2019)

social security, universal health care system, and a tuition-free primary and secondary education to its citizens.⁸

The Macedonian people have lived in this region throughout history, and there is no need for a document or historical monument that they came from any other region. Throughout its history, the people of Makdon who have lived in the Balkans have tried to establish their own state together with their national and social struggle and became independent from time to time. The nation founded the Republic of Khrushevo, which lasted for a short period of 10 days, and has maintained its independence since the 1991 referendum.

As well as the historical fact that Macedonia is established as a national state of the Macedonian people, in which full equality as citizens and permanent co-existence with the Macedonian people is provided for Albanians, Turks, Vlachs, Romanics and other nationalities living in the Republic of Macedonia, and intent on:

- the establishment of the Republic of Macedonia as a sovereign and independent state, as well as a civil and democratic one⁹.
- the establishment and consolidation of the rule of law as a fundamental system of government;
- the guaranteeing of human rights, citizens' freedoms and ethnic equality;
- the provision of peace and a common home for the Macedonian people with the nationalities living in the Republic of Macedonia;
- and on
- the provision of social justice, economic wellbeing and prosperity in the life of the individual and the community,

the Assembly of the Republic of Macedonia adopts.

1.2. General Condition of Macedonia

Macedonia is geographically located in southeastern Europe. Macedonia has an area of 25333km square. It borders Serbia, Bulgaria, Greece, Albania and Kosovo. The capital city of Skopje is located in the northwestern part of the country.

⁸North Macedonia, https://en.wikipedia.org/wiki/North_Macedonia(21.12.2019)

⁹Republic of Macedonia, <https://constitution.org/cons/macedoni.htm>(21.12.2019)

The population of North Macedonia is 2039000 according to the data of the UN. Approximately 11% of the population is over 65 years of age. 20% are under the age of 15. In the country where the number of women and men is close to peers, the population density is 79 people per square kilometer. 59% of the population lives in urban areas. Most of the town's population is more than 15 thousand people live in and 447000 people live in the capital Skopje.

About 64.2% of the people of northern Macedonia are Macedonians. Albanians, mostly living in the northwest of the country, make up 25.2% of the population. Among the other groups, 3.9% of the population is Turks, 2.7% is Romans, 1.8% is Serbs; There are Bosnians and Vlachs at a rate of 2.2%.

In fact Macedonia is the name of a region that includes 3 sections: Vardar, Pirin and Aegean Macedonia, and covers an area of 67 000 km². This area corresponds to 15% of the Balkan peninsula and is today shared among 5 Balkan countries. Accordingly, today's Republic of Northern Macedonia, while largely on Vardar Macedonia; Bulgaria is dominated by Pirin Macedonia and Greece is dominated by Aegean Macedonia. It also has a small part remaining in Albania and Serbia.

The central administration of the Republic of Northern Macedonia in the Skopje consists of the President, the Assembly, the Ministries, the Constitutional Court, the Supreme Court, the Judicial Council, the Ombudsman, the Prosecutor's Office, the Civil Servants Agency and the State Inspection Bureau.

83 municipalities of northern Macedonia constitute the local government structure. 10 of these municipalities are located within the Skopje Metropolitan Municipality. The mayors and council members of the municipalities are elected directly for four years.¹⁰

1.3. 2001 Insurgency and Ohrid Peace Treaty in The Republic of Macedonia

The 2001 insurgency in Macedonia was an armed clash that began after the ethnic Albanian National Liberation Army (NLA) militant group attacked the security forces of the Republic of Macedonia in early 2001 and ended with the Ohrid Agreement signed on 13 August, after the war in Kosovo had calmed down. This insurgency began and ended in the same year. There were also claims that the NLA ultimately wished to see Albanian-

¹⁰GÜLER, Ali (2019), Kuzey Makedonya'da Devlet Memurluğu Sistemi, Balkan Ülkelerinde Devlet memurluğu, Ed. Bilgin, K.U., Gazi kitapçı, Ankara, s.237-257.

majority areas secede from the country, though high-ranking members of the group have denied this. The conflict lasted throughout most of the year, although overall casualties remained limited to several dozen individuals on either side, according to sources from both sides of the conflict. With it, the Yugoslav Wars had reached previously peaceful Macedonia.¹¹

The Ohrid Framework Agreement (Ohridski Ramkoven Dogovor) was the peace deal signed by the government of North Macedonia and ethnic Albanian representatives on 13 August 2001. The agreement was signed by the country's four political parties after international mediators demanded their commitment to its ratification and implementation within a four-year period¹².

The Ohrid Agreement created a framework for North Macedonia as a civic state¹³. It established basic principles of the state such as cessation of hostilities, voluntary disarmament of ethnic Albanian armed groups, government devolution, and the reform of minority political and cultural rights. It ended the armed conflict between the NLA and the security forces of North Macedonia.

The agreement also covered the official language of the country and the amendment was finalized by the agreement; with any language spoken by more than 20% of the population becoming co-official with the Macedonian language at the municipal level¹⁴. Only the Albanian language, with an approximate 25% of the population being speakers, currently qualifies as a co-official language under this criterion¹⁵.

According to this agreement: the version written in English is the only original version of the Ohrid Framework Agreement. The Government of Northern Macedonia was forced to amend and adapt the Constitution of Northern Macedonia to provide the 15 fundamental rights it demanded to the Albanian minority in Northern Macedonia. The chief negotiator on behalf of the United States in the Ohrid Agreement was James W. Pardew, who was

¹¹2001 insurgency in Macedonia, https://en.wikipedia.org/wiki/2001_insurgency_in_Macedonia (22.12.2019).

¹²DIMONYA, Rozita (2013), "Ethno-Baroque: Materiality, Aesthetics and Conflict in Modern-Day Macedonia". New York: Berghahn Books, p.131.

¹³CASPERSEN, Nina (2017), "Peace Agreements: Finding Solutions to Intra-state Conflicts". Cambridge, UK: Polity Press. (2017) p.76.

¹⁴WATKINS Clem S. (2003), "The Balkans", Nova Science Publishers, Inc. New York, p.113.

¹⁵BRUNNBAUER, Ulf (2002), "The implementation of the Ohrid Agreement: Ethnic Macedonian resentments" (PDF). Journal on Ethnopolitics and Minority Issues in Europe. Graz, (1/2002).

sent by then Secretary of State Colin Powell. The person and the parties who signed this agreement:

- The president of republic of Macedonia Boris Trajkovski
- The president of VMRO-DPMNE Ljupco Georgievski
- The president of Social Democratic Union of Macedonia Branko Crvenkovski
- The president of Democratic Party of Albanians Arben Xhaferi
- The president of the party for Democratic Prosperity Imer Imeri
- Special Representative for the European Union Francois Leolard
- Special Representative of United States of America James W. Pardew¹⁶

The Agreement was to preserve the Macedonian territorial integrity and meet the demands of the Albanians for constitutional and legal changes in the direction of equality between the Albanians and the Macedonians. Initially this agreement was considered a success not only for Macedonia, but also as example of diplomacy that resulted in stability in this part of the region.

In fact, what the Ohrid Agreement was expected to bring, seen as a document which wasn't just resolving momentary problems, but a framework to find solutions to great challenges that Macedonia was faced with, in reality has not materialized¹⁷.

The political analyst, Bruce Jackson, back then considered the Ohrid Agreement an example of a successful democracy that would serve the whole region, viewing it as an agreement which marks a number of achievements as

“Something that has laid the foundations for the integration of this southern Balkan corner in the European institutions, and in a way radiating stability around Macedonia. At that time, they thought the conflict outbreak in Macedonia had caught the West off guard, since they considered Macedonia a successful example of a multiethnic society in the region”.

1.4. The Name Dispute With Greece (Prespa Agreement)

After the disintegration of Yugoslavia declared its independence in 1992 with the name of Republic of Macedonia that was Skopje-based state, got accused by Greece of having an expansionist claim to the region of the same name in its north and in Greece, the largest in

¹⁶Ohridski Ramkovni Dogovor, <https://www.pravdiko.mk/ste-go-prochitale-li-nekogash-ramkovniot-dogovor/> (16.12.2019)

¹⁷ BAJRAMI, Demush (2014), ISENI Arburim, “The Challenge of (Non) Implementation of The Ohrid Framework Agreement In The Republic Of Macedonia”, European Scientific Journal, Vol.10, No.10pp, 203 – 218.

1992, “Macedonia is Greek” with the motto of the actions of millions of participants were seen.

However, Macedonia, which does not have a gate to the sea, started to soften the relations with Greece as a result of the economic sanctions that started with the closure of the Port of Thessaloniki in 1994. In the internal conflicts between the Albanian separatists and the Macedonian army in 2001, Greece supported the Macedonian government and started to soften the relations to a certain extent. Meanwhile, Greece requested the annulment of some articles in the Macedonian constitution by removing the sun symbol from the Greek mythology on the Macedonian flag.

Greece's continued its decisive stance on the name issue; it prevented Macedonia from starting the EU accession negotiations in 2005 and subsequently continued its NATO application in 2008, by vetoing it just for this reason.

The statues of Alexander the Great and his family erected in Skopje Square in 2011 brought the discussion to a historical universe and brought it up to the question: “Who actually Alexander the Great belongs?”.

The Macedonian government changed its name to “Northern Macedonia” by signing the Prespa Agreement, which ended the 27-year name dispute with Greece, especially when the problem between the two countries posed an obstacle for Macedonia to join NATO and the EU. After ratification of the agreement in the Republic of Macedonia, it was officially ratified by the Greek Parliament on 24 January 2019¹⁸.

Northern Macedonia is in the process of joining the NATO as a member state. Before starting this process, the country joined the Partnership for Peace in 1995. He then took part in various NATO missions, including the Stable Support Mission in Afghanistan and the International Security Assistance Force. At the Bucharest summit in 2008, Greece vetoed the country's invitation to attend because of the name issue. However, NATO member states have agreed that the country will receive an invitation to settle the Macedonian name problem. Following the Prespa Agreement and the adoption of Macedonia's legal name as the Republic of Northern Macedonia, permanent representatives of NATO member states signed a protocol on February 6, 2019 on Northern Macedonia's accession to NATO. When the ratification protocol of all member

¹⁸GÜLER, Ali (2019), Kuzey Makedonya’da Devlet Memurluğu Sistemi, Balkan Ülkelerinde Devlet memurluğu, Ed. Bilgin, K.U, Gazi kitapevi, Ankara, s.237-257.

states is completed in their own assemblies, Northern Macedonia officially will become a NATO member.

1.5. State Structure of the Republic of North Macedonia

The Republic of Northern Macedonia is a sovereign, independent, democratic and social state¹⁹. The Republic of North Macedonia has a structure based on the principle of separation of powers. Legislative, executive and judicial powers are based on the principle of triple force separation.

In the country governed by the Republican regime, the President is the head of the State. In this capacity it represents the unity of the Republic of Macedonia; it oversees implementation of Constitution, and regular and harmonious functioning of State bodies.

- The executive branch of North Macedonia includes: the chief of state – the President who is directly elected and the head of government – the Prime Minister same directly elected, and the cabinet is formed by Prime Minister that is electing by the Assembly by simple majority vote. Than the president confirms the cabinet and then the executive branch starts to work.
- The legislative branch is the Unicameral Assembly (*Sobranie*) includes: 120 directly elected in multi-seat constituencies by closed-list proportional representation vote, when there is enough votes from diaspora constituencies there are 3 more seats and all of the deputies serve 4 year terms or early next elections.
- Judicial branch includes: Constitutional Court that consists 9 judges who are appointed by the Assembly for nonrenewable for 9 years and Supreme Court that consists 22 judges nominated by the Judicial Council who is 7 member body of legal professionals and they are same appointed by the Assembly. In judicial branch North Macedonia has subordinate courts that include the Courts of Appeal and Basic Courts.

1.5.1. The Judicial System of Republic of North Macedonia

Judicial power is exercised by the courts. The Supreme Court of the Northern Macedonia is the highest court in country, and provides unity in the application of laws by the courts.

¹⁹<http://www.makedonija.info/info.html> (31.12.2019), Fundamental Values of the System

The Judicial Council of the Republic of Northern Macedonia is an independent and independent body of the judiciary, which ensures and guarantees the independence and independence of the judiciary.

The Public Prosecutor's Office is the only independent state body that prosecutes perpetrators of criminal acts and other criminal offense established by law and performs other activities determined by law.

The Constitutional Court of the Republic of Northern Macedonia is a body of the Republic that protects the constitutionality and legality.

Citizens are guaranteed the right to local self-government. The units of local self-government are the municipalities.

Judiciary power is exercised by courts. Courts are autonomous and independent. Courts judge on the basis of the Constitution and laws and international agreements ratified in accordance with the Constitution²⁰. There is one form of organization for the judiciary. Emergency courts are prohibited²¹. The types of courts, their spheres of competence, their establishment, abrogation, organization and composition, as well as the procedure they follow are regulated by a law adopted by a majority vote of two-thirds of the total number of Representatives²².

The registry of public sector employees in Judiciary system also maintains 66 judicial institutions, in 34 courts, as holders of judicial power, 29 public prosecution offices, the Judicial Council of the Republic of Macedonia and the Council of Public Prosecutors²³.

Courts of the Republic of North Macedonia:

- The Top Court of Appeals of the Republic Of Macedonia
- The Court of Appeals of the Republic Of Macedonia
- Primary Court of the Republic Of Macedonia
- High Ruling Court of the Republic Of Macedonia
- Administrative Court of the Republic Of Macedonia

²⁰ https://www.sobranie.mk/the-constitution-of-the-republic-of-macedonia-ns_article-constitution-of-the-republic-of-north-macedonia.nspx (31.12.2019)

²¹ https://www.constituteproject.org/constitution/Macedonia_2011?lang=en (31.12.2019)

²² Article 98, <http://www.bits.de/public/documents/constitution.htm> (31.12.2019)

²³ Ministry of Information Society and Administration (2019) "Годишен извештај од регистарот на вработените во јавниот сектор 2018" Annual report from the public sector employee register, Skopje, p.34.

- Public Prosecution of the Republic Of Macedonia

A judge is elected without restriction of his/her term of office. A judge cannot be transferred against his/her will. A judge is discharged²⁴:

- *If he/she so requests;*
- *If he/she permanently loses the capability of carrying out a judge's office, which is determined by the Republican Judicial Council;*
- *If he/she fulfills the conditions for retirement;*
- *If he/she is sentenced for a criminal offence to a prison term of a minimum of six months;*
- *Owing to a serious disciplinary offence defined in law, making him/her unsuitable to perform a judge's office as decided by the Republican Judicial Council;*
- *Owing to unprofessional and unethical performance of a judge's office, as decided by the Republican Judicial Council in a procedure regulated by law*²⁵.

Judges are granted immunity. The Assembly decides on the immunity of judges. The performance of judge's office is incompatible with other public office, profession or membership in a political party. Political organization and activity in the judiciary is prohibited²⁶. "Court hearings and the passing of verdicts are public. The public can be excluded in cases determined by law"²⁷. "The Supreme Court of the Republic of Macedonia is the highest court in the Republic, providing uniformity in the implementation of the laws by the courts"²⁸. The court tries cases in council. The law determines cases in which a judge can sit alone. Jury judges take part in a trial in cases determined by law. Jury judges cannot be held answerable for their opinions and decisions concerning their verdict²⁹. The Republican Judicial Council is composed of seven members. The Assembly elects the members of the Council. The members of the Council are elected from the ranks of outstanding members of the legal profession for a term of six years with the right to one reelection. Members of the Republican Judicial Council are granted immunity. The Assembly decides on their immunity. The office of a member of the

²⁴ https://www.sobranie.mk/the-constitution-of-the-republic-of-macedonia-ns_article-constitution-of-the-republic-of-north-macedonia.nspix (31.12.2019)

²⁵ <http://www.bits.de/public/documents/constitution.htm> (31.12.2019)

²⁶ <http://www.bits.de/public/documents/constitution.htm> (31.12.2019)

²⁷ <http://www.bits.de/public/documents/constitution.htm> (31.12.2019)

²⁸ https://eacea.ec.europa.eu/national-policies/eurydice/content/main-executive-and-legislative-bodies-48_en (31.12.2019)

²⁹ <http://www.bits.de/public/documents/constitution.htm> (31.12.2019)

Republican Judicial Council is incompatible with the performance of other public offices, professions or membership in political parties³⁰.

The Republican Judicial Council:

- *Proposes to the Assembly the election and discharge of judges and determines proposals for the discharge of a judge's office in cases laid down in the Constitution;*
- *Decides on the disciplinary answerability of judges;*
- *Assesses the competence and ethics of judges in the performance of their office;*
- *Proposes two judges to sit on the Constitutional Court of the Republic of Macedonia*³¹.

1.5.2. The Presidency of Republic of North Macedonia

The Government of the Republic of Northern Macedonia is the executive branch of government. The Government and each of its members are elected in the Assembly and accountable for their work to the Assembly. The government is made up of a president and ministers.

The President and the Government are the bearers of the central executive power in the Republic of Macedonia. The Intelligence Agency is a separate state body that reports to the President of the Republic of Macedonia.³²

Stevo Pendarovski is the fifth President of the Republic of Northern Macedonia. The presidents rights and duties are:

- The President of the Republic of Northern Macedonia represents the Republic and is Commander-in-Chief of the Armed Forces.
- The President of the Republic exercises his rights and duties on the basis and within the framework of the Constitution and laws.
- The President of the Republic is elected in general and direct elections, by secret ballot and for a term of five years.
- Before assuming office, the President of the Republic makes a solemn statement before the Assembly committing himself to the observance of the Constitution and the laws of the state.

³⁰Article 104<http://www.bits.de/public/documents/constitution.htm> (31.12.2019)

³¹Article 105<http://www.bits.de/public/documents/constitution.htm> (31.12.2019)

³²Ministry of Information Society and Administration (2019) “Годишен извештај од регистарот на вработените во јавниот сектор 2018” Annual report from the public sector employee register, Skopje, p.19.

The President of the Republic of Northern Macedonia:

- Delivers the mandate for composition of the Government of the Republic of Northern Macedonia;
- Appoints and dismisses by decree ambassadors and special envoys of the Republic of Northern Macedonia abroad;
- Receives letters of credentials and revocation letters from foreign diplomats
- Nominates two judges of the Constitutional Court of the Republic of Northern Macedonia;
- Proposes two members of the Judicial Council;
- Appoints three members of the Security Council of the Republic of Northern Macedonia;
- Appoints and dismisses other holders of state and public office determined by the Constitution and the law;
- Bestows decorations and recognitions in accordance with the law;
- Provides pardon in accordance with the law and performs other functions determined by the Constitution.
- The President of the Republic shall report to the Assembly on matters within his competence at least once a year.
- The President of the Republic signs the decree for promulgation of laws with the President of the Assembly.
- The President of the Republic may decide not to sign the promulgation decree. The Assembly is reviewing the law and if it is adopted by a majority vote of the total number of Representatives, the President of the Republic is obliged to sign the decree. The President is obliged to sign the decree if, according to the Constitution, the law is adopted by a two-thirds majority vote of the total number of Representatives.
- Within the competences of the President of the Republic, he is nominated by the Governor of the National Bank of the Republic of Northern Macedonia, who is then appointed by the Assembly. The President of the Republic of Northern Macedonia is appointed and dismissed by the Director of the Intelligence Agency.

The President of the Republic of Northern Macedonia is appointed and dismissed by the Chief of the General Staff of the Army.³³

Priorities of the President:

- The office of President of the State is not only the highest office under our Constitution. To be President is to unite, not to divide, to foster unity and mutual understanding.
- Being President means having the courage and responsibility to make difficult decisions, to be proud of the citizens.
- The President connects all citizens living in our country, works for the citizens, serves his people, professionally, honestly and fairly, connects the citizens regardless of their ethnic, religious, social or other background.

The powers and obligations of the President specified in the constitution:

The President represents the Republic of Northern Macedonia and is also the Commander-in-Chief of the North Macedonian Armed Forces. The President fulfills his duties and obligations under the Constitution and laws³⁴.

The president is elected for a five-year term in general, and directs elections may be elected no more than twice. The President must be a citizen of the Republic of Northern Macedonia and must be at least 40 years of age. On Election Day, he cannot be elected if he is not a resident of Macedonia for at least ten years in the last fifteen years³⁵. A candidate for President of the Republic can be nominated by a minimum of 10,000 voters or at least 30 Representatives. A candidate for President of the Republic is elected if voted by a majority of the total number of voters. Before taking up office, the President of the Republic makes a solemn declaration before the Assembly of his/her commitment to respect the Constitution and the laws³⁶. In case of death, resignation, permanent inability to perform his/her duties, or in case of termination of the mandate in accordance with the provisions of the Constitution, the office of the President of the Republic is carried out by the President of the Assembly until the election of the new President. Decisions on the applicability of the conditions, for the cessation of office of the President of the Republic are the official duty of the Constitutional Court³⁷. The duty of the President of the Republic is incompatible with the performance of any other public office, profession or appointment in a political party. The President of the Republic is granted immunity. The Constitutional Court decides by a two-thirds majority

³³[http://pretседател.mk/pretседател/\(24.12.2019\)](http://pretседател.mk/pretседател/(24.12.2019)), Права и должности, Rights and duties.

³⁴<http://www.bits.de/public/documents/constitution.htm> (31.12.2019)

³⁵<http://www.bits.de/public/documents/constitution.htm> (31.12.2019)

³⁶<http://www.bits.de/public/documents/constitution.htm> (31.12.2019)

³⁷<http://www.bits.de/public/documents/constitution.htm> (31.12.2019)

vote of the total number of judges on any case for withholding immunity and approving of detention for the President of the Republic³⁸.

The President of the Republic of North Macedonia:

- “Nominates a mandatory to constitute the Government of the Republic of Macedonia.
- Appoints and dismisses by decree ambassadors and other diplomatic representatives of the Republic of Macedonia abroad.
- Accepts the credentials and letters of recall of foreign diplomatic representatives.
- Proposes two judges to sit on the Constitutional Court of the Republic of Macedonia.
- Proposes two members of the Republican Judicial Council.
- Appoints three members to the Security Council of the Republic of Macedonia;-proposes the members of the Council for Inter-Ethnic Relations.
- Appoints and dismisses other holders of state and public office determined by the Constitution and the law.
- Grants decorations and honours in accordance with the law.
- Grants pardons in accordance with the law.
- Performs other duties determined by the Constitution”³⁹.

“The President addresses the Assembly at least once a year on matters within its jurisdiction and gives opinions on matters related to its jurisdiction”⁴⁰.

“He is also the President of the Security Council of the Republic of Northern Macedonia. Provides policy recommendations to the government and the parliament, taking into account issues related to the security and defense of the Republic”⁴¹.

The President is held accountable for any violation of the Constitution in exercising his/her rights and duties. The procedure for determining the President of the Republic's answerability is initiated by the Assembly with a two-thirds majority vote of all Representatives. It is the Constitutional Court that decides on the answerability of the President by a two-thirds majority vote of all judges. If the Constitutional Court considers the president answerable for a violation, his/her mandate is terminated by the force of the Constitution⁴².

Since May 2019, The President of North Macedonia is Stevo Pendarovski. The last elections held on 21 April and 5 May 2019 next will be in 2024; following legislative

³⁸<http://www.bits.de/public/documents/constitution.htm> (31.12.2019)

³⁹<http://www.bits.de/public/documents/constitution.htm> (31.12.2019)

⁴⁰<http://www.bits.de/public/documents/constitution.htm> (31.12.2019)

⁴¹<http://www.bits.de/public/documents/constitution.htm> (31.12.2019)

⁴²<http://www.bits.de/public/documents/constitution.htm> (31.12.2019)

elections, the leader of the majority party or majority coalition is usually elected prime minister by the Assembly.

List of North Macedonian Presidents:

1. Kiro Gligorov (1991-1999)
2. Boris Trajkovski (1999-2004)
3. Branko Crvenkovski (2004-2009)
4. Gjorge Ivanov (2009-2019)
5. Stevo Pendarovski (2019- ...)

1.5.3. The Assembly of the Republic of North Macedonia

The parliament of the Republic of Northern Macedonia is the highest-ranking democratic representative body of citizens. It is the institution responsible for carrying out the legislative power of the country.. The Assembly is composed of 120 to 140 Members of Parliament, who are elected by general, direct and free elections by secret ballot.

The Parliament of the Republic of Macedonia is the bearer of the legislative power in the Republic of North Macedonia. Although there is no explicit legal basis for this, by the way of its establishment, the competences they have, as well as the body to which they are accountable, have 22 public sector institutions directly under the Parliament of the Republic of Macedonia, 10 of which are regulatory bodies and 12 are independent bodies of state institutions.

Unicameral Assembly (*Sobranie*) means the parliament of the country and includes 120 directly elected deputies, who serve 4 year terms or until next early elections. Last elections last held on 11 December 2016, with a second round held in one polling station on 25 December 2016 and the early elections is planning to be on 12th April 2020.

The election results percent of vote by party/coalition and deputy number:

- VMRO-DPMNE 38.1% - 51 deputies
- SDSM coalition 36.7% - 49 deputies
- BDI 7.3% - 10 deputies
- Besa Movement 4.9% - 5 deputies
- AfA 3.1% - 3 deputies

- PDSH 2.7% - 2 deputies
- other 7.2% - 0 deputies

Ruling coalition: 68 (SDSM coalition 49, BDI 10, Besa Movement 3, PDSH 2, other 5),

Opposition coalition: 52 (VMRO-DPMNE coalition 48, Besa Movement 2, AfA 2);

The Assembly of the Republic of Macedonia employs a total of 287 persons; the assembly has 990 public enterprises, 373 regulatory bodies and 784 independent state bodies. These institutions have a total of 2,434 employees divided into two groups, administrative staff (civil and other types of staff) and auxiliary technicians.

Assembly of the Republic of Macedonia and the Institutions that based

NO	The Assembly of the Republic of North Macedonia	Number of Employees
1	Public Enterprise	990
2	Regulatory body	373
3	Independent State Authority	784
4	The Assembly	287
	Total	2434

Source: Годишен извештај од регистарот на вработените во јавниот сектор - Annual report from the public sector employee register, 2018

For the constitutional amendment: there is needed a proposed by the president of the republic, by the government, by at least 30 members of the Assembly, or by petition of at least 150,000 citizens; final approval requires a two-thirds majority vote by the Assembly; amended several times, last in 2019 (2019) . Regulatory Bodies of the Assembly are:

- Agency for Audio and Audiovisual Media Services
- Agency for Electronic Communications
- Agency for Mail
- Agency for Regulation of the Railway Sector
- Agency for Capital Financed Pension Insurance Supervision
- Insurance Supervision Agency
- Agency for Civil Aircraft
- Security Committee
- Housing Regulatory Commission
- Regulatory Commission for Energy

The powers and obligations of countries parliament is specified in the constitution below:

The Assembly of the Republic of Macedonia is a representative body of the citizens and the legislative power of the Republic is vested in it. The organization and functioning of the Assembly are regulated by the Constitution and by the Rules of Procedure⁴³. “The Assembly of the Republic of Macedonia is composed of 120 to 140 Representatives. The Representatives are elected at general, direct and free elections and by secret ballot. The Representative represents the citizens and makes decisions in the Assembly in accordance with his/her personal convictions. A Representative’s mandate cannot be revoked. The mode and conditions of election of Representatives are regulated by a law adopted by a majority vote of the total number of Representatives”⁴⁴. The Representatives for the Assembly are elected for a term of four years. The mandate of Representatives is verified by the Assembly. The length of the mandate is reckoned from the constitutive meeting of the Assembly. Each newly-elected Assembly must hold a constitutive meeting 20 days at the latest after the election was held. The constitutive meeting is called by the President of the Assembly of the previous term. If a constitutive meeting is not called within the time laid down, the Representatives assemble and constitute the Assembly themselves on the twenty-first day after the completion of the elections. Elections for Representatives to the Assembly are held within the last 90 days of the term of the current Assembly, or within 60 days from the day of dissolution of the Assembly. The term of office of the Representatives to the Assembly can be extended only during states of war or emergency. Cases where a citizen cannot be elected a Representative, owing to the incompatibility of this office with other public offices or professions already held, are defined by law. The Assembly is dissolved when more than half of the total number of Representatives votes for dissolution⁴⁵. “Representatives enjoy immunity. A Representative cannot be held to have committed a criminal offence or be detained owing to views he/she has expressed or to the way he/she has voted in the Assembly. A Representative cannot be detained without the approval of the Assembly unless found committing a criminal offence for which a prison sentence of at least five years is prescribed. The Assembly can decide to invoke immunity for a Representative without his/her request, should it be necessary for the performance of the representative’s office. Representatives may not be called up for duties in the Armed Forces during the course of their term of office. A Representative is entitled to remuneration determined by law”⁴⁶. “A Representative may resign his/her mandate. The Representative submits his/her resignation in person at a session of the Assembly. The mandate of a Representative terminates if he/she is sentenced for a criminal offence for which a prison sentence of at least five years is prescribed. The Representative can have his/her mandate revoked for committing a criminal offence making him/her unfit to perform the office of a Representative, as well as for absence from the Assembly for longer than 6 months for no justifiable reason. Revocation of the mandate is determined by the Assembly by a two-thirds majority vote of all Representatives”⁴⁷. The Assembly is in permanent session. The

⁴³Article 61<http://www.bits.de/public/documents/constitution.htm> (31.12.2019)

⁴⁴Article 62<http://www.bits.de/public/documents/constitution.htm> (31.12.2019)

⁴⁵Article 63<http://www.bits.de/public/documents/constitution.htm> (31.12.2019)

⁴⁶Article 64<http://www.bits.de/public/documents/constitution.htm> (31.12.2019)

⁴⁷Article 65<http://www.bits.de/public/documents/constitution.htm> (31.12.2019)

Assembly works at meetings. The meetings of the Assembly are called by the President of the Assembly. The Assembly adopts the Rules of Procedure by a majority vote of the total number of Representatives⁴⁸. The Assembly elects a President and one or more Vice-Presidents from the ranks of the Representatives by a majority vote of the total number of Representatives. The President of the Assembly represents the Assembly, ensures the application of the Rules of Procedure and carries out other responsibilities determined by the Constitution and the Rules of Procedure of the Assembly. The office of the President of the Assembly is incompatible with the performance of other public offices, professions or appointment in a political party. The President of the Assembly issues notice of the election of Representatives and of the President of the Republic⁴⁹.

The Assembly of the Republic of North Macedonia:

- Adopts and changes the Constitution;
- Adopts laws and gives the authentic interpretation of laws;
- Determines public taxes and fees;
- Adopts the budget and the balance of payments of the Republic;
- Adopts the spatial plan of the Republic;
- Ratifies international agreements;
- Decides on war and peace;
- Makes decisions concerning any changes in the borders of the Republic;
- Makes decisions on association in and disassociation from any form of union or community with other states;
- Issues notice of a referendum;
- Makes decisions concerning the reserves of the Republic;
- Sets up councils;
- Elects the Government of the Republic of Macedonia;
- Elects judges to the Constitutional Court of the Republic of Macedonia;
- Carries out elections and discharges judges;
- Selects, appoints and dismisses other holders of public and other office determined by the Constitution and law;
- Carries out political monitoring and supervision of the Government and other holders of public office responsible to the Assembly;
- Proclaims amnesties; and
- Performs other activities determined by the Constitution.

In carrying out the duties within its sphere of competence, the Assembly adopts decisions, declarations, resolutions, recommendations and conclusions⁵⁰. The Assembly may work if its meeting is attended by a majority of the total number of Representatives. The Assembly makes decisions by a majority vote of the Representatives attending, but no less than one-third of the total number of Representatives, in so far as the Constitution does not provide for a qualified majority⁵¹. "The meetings of the Assembly are open to the public. The Assembly

⁴⁸<http://www.bits.de/public/documents/constitution.htm> (31.12.2019)

⁴⁹<http://www.bits.de/public/documents/constitution.htm> (31.12.2019)

⁵⁰<http://www.bits.de/public/documents/constitution.htm> (31.12.2019)

⁵¹<http://www.bits.de/public/documents/constitution.htm> (31.12.2019)

may decide to work without the presence of the public by a two-thirds majority vote of the total number of Representatives”⁵².

The right to propose adoption of a law is given to every Representative of the Assembly, to the Government of the Republic and to a group of at least 10,000 voters. The initiative for adopting a law may be given to the authorized instances by any citizen, group of citizens, institutions or associations⁵³.

An interpellation may be made concerning the work of any public office-holder, the Government and any of its members individually, as well as on issues concerning the performance of state bodies. Interpellation may be made by a minimum of five Representatives. All Representatives have the right to ask a Representative's question. The mode and procedure for submitting and debating on an interpellation and Representative's question are regulated by the Rules of Procedure⁵⁴.

The Assembly decides on issuing notice of a referendum concerning specific matters within its sphere of competence by a majority vote of the total number of Representatives. The decision of the majority of voters in a referendum is adopted on condition that more than half of the total number of voters voted. The Assembly is obliged to issue notice of a referendum if one is proposed by at least 150,000 voters. The decision made in a referendum is binding⁵⁵.

The Assembly makes decisions on any change in the borders of the Republic by a two-thirds majority vote of the total number of Representatives. The decision on any change in the borders of the Republic is adopted by referendum, in so far as it is accepted by the majority of the total number of voters⁵⁶.

Laws are declared by promulgation. The promulgation declaring a law is signed by the President of the Republic and the President of the Assembly. The President of the Republic may decide not to sign the promulgation declaring a law. The Assembly reconsiders the law and the President of the Republic is then obliged to sign the promulgation in so far as it is adopted by a majority vote of the total number of Representatives. The President is obliged to sign a promulgation if the law has been adopted by a two-thirds majority vote of the total number of Representatives in accordance with the Constitution⁵⁷.

The Assembly sets up permanent and temporary working bodies. The Assembly may set up survey commissions for any domain or any matter of public interest. A proposal for setting up a survey commission may be submitted by a minimum of 20 Representatives. The Assembly sets up a permanent survey commission for the protection of the freedoms and rights of citizens. The findings of the survey commissions form the basis for the initiation of proceedings to ascertain the answerability of public office-holders⁵⁸.

The Assembly elects the Public Attorney. The Public Attorney protects the constitutional and legal rights of citizens when violated by bodies of state

⁵²<http://www.bits.de/public/documents/constitution.htm> (31.12.2019)

⁵³<http://www.bits.de/public/documents/constitution.htm> (31.12.2019)

⁵⁴<http://www.bits.de/public/documents/constitution.htm> (31.12.2019)

⁵⁵<http://www.bits.de/public/documents/constitution.htm> (31.12.2019)

⁵⁶<http://www.bits.de/public/documents/constitution.htm> (31.12.2019)

⁵⁷<http://www.bits.de/public/documents/constitution.htm> (31.12.2019)

⁵⁸<http://www.bits.de/public/documents/constitution.htm> (31.12.2019)

administration and by other bodies and organizations with public mandates. The Public Attorney is elected for a term of eight years, with the right to one reelection. The conditions for election and dismissal, the sphere of competence and the mode of work of the Public Attorney are regulated by law⁵⁹.

The Assembly establishes a Council for Inter-Ethnic Relations. The Council consists of the President of the Assembly and two members each from the ranks of the Macedonians, Albanians, Turks, Vlachs and Romanies, as well as two members from the ranks of other nationalities in Macedonia. The President of the Assembly is President of the Council. The Assembly elects the members of the Council. The Council considers issues of inter-ethnic relations in the Republic and makes appraisals and proposals for their solution. The Assembly is obliged to take into consideration the appraisals and proposals of the Council and to make decisions regarding them⁶⁰.

1.5.4. The Prime Minister of the Republic of North Macedonia

The Government of the Republic of Macedonia, as another part of the executive branch, has three secretariats within its framework, namely the Secretariat for the Implementation of the Framework Agreement, the Secretariat for Legislation and the Secretariat for European Affairs. Administrative affairs for the Government are managed by the General Secretariat. Also within the Government is the Office for General and Common Affairs. The Law on Organization and Operation of the State Administration Bodies defines 15 ministries.

15 ministries with 29 bodies. In addition, 32 independent state administration bodies and administrative organizations and 8 legal entities with public authorizations are in charge of the executive branch.

Regarding the local executive authority, the Register also contains data on the City of Skopje and on the 80 municipalities on the territory of the Republic of Macedonia. In addition, there are 8 planning regions:

- Center for Development of Vardar Planning Region
- Center for Development of the East Planning Region
- Center for Development of the Southwest Planning Region
- Center for Development of the South-East Planning Region
- Center for development of Pelagonija planning region

⁵⁹<http://www.bits.de/public/documents/constitution.htm> (31.12.2019)

⁶⁰https://www.sobranie.mk/the-constitution-of-the-republic-of-macedonia-ns_article-constitution-of-the-republic-of-north-macedonia.nsp (31.12.2019)

- Center for Development of the Polog Planning Region
- Center for Development of Skopje Planning Region
- Center for Development of the Northeast Planning Region

As legal entities with public authorizations, whose institutional set-up is incomplete and lacking major competencies, but have employees who are part of the public sector employees in the Republic of Macedonia.

State Government bodies and their Employees:

	State Government Bodies	Employees
1	Government	322
2	Ministry	4808
3	Body of Ministry	4410
4	Legal Persons with Public Authorities	1594
5	Self-Government Body	3384
6	Secretariat in the Government	1681
7	Government Service	395
Total		16594

Source: Годишен извештај од регистарот на вработените во јавниот сектор - Annual report from the public sector employee register, 2018

The powers and obligations of the Prime Ministry of the Republic of North Macedonia specified in the constitution:

“Executive power is vested in the Government of the Republic of Macedonia. The Government exercises its rights and competence on the basis and within the framework of the Constitution and law”⁶¹.

The Government is composed of a prime Minister and Ministers. The Prime Minister and the Ministers cannot be Representatives in the Assembly. The Prime Minister and Ministers are granted immunity. The Government decides on their immunity. The Prime Minister, Deputy Prime Ministers and Ministers cannot be called up for duties in the Armed Forces. The office of Prime Minister or Minister is incompatible with any other public office or profession. The organization and mode of working of the Government are regulated by law⁶².

The President of the Republic of Macedonia is obliged, within 10 days of the constitution of the Assembly, to entrust the mandate for constituting the Government to a candidate from the party or parties which has/have a majority in the Assembly. Within 20 days from the day of being entrusted with the mandate, the mandator submits a programme to the Assembly and proposes the composition of the Government. The Government is elected by the Assembly on the proposal of

⁶¹<https://constitution.org/cons/macedoni.htm> (31.12.2019)

⁶²<https://constitution.org/cons/macedoni.htm> (31.12.2019)

the mandator and on the basis of the programme by a majority vote of the total number of Representatives⁶³.

The Government of the Republic of Macedonia:

- Determines the policy of carrying out the laws and other regulations of the Assembly and is responsible for their execution;
- Proposes laws, the budget of the Republic and other regulations adopted by the Assembly;
- Proposes a spatial plan of the Republic;
- Proposes decisions concerning the reserves of the Republic and sees to their execution;
- Adopts bylaws and other acts for the execution of laws;
- Lays down principles on the internal organization and work of the Ministries and other administrative bodies, directing and supervising their work;
- Provides appraisals of drafts of laws and other acts submitted to the Assembly by other authorized bodies;
- Decides on the recognition of states and governments;
- Establishes diplomatic and consular relations with other states;
- Makes decisions on opening diplomatic and consular offices abroad;
- Proposes the appointment of ambassadors and Representatives of the Republic of Macedonia abroad and appoints chiefs of consular offices;
- Proposes the Public Prosecutor;
- Appoints and dismisses holders of public and other office determined by the Constitution and laws; and
- Performs other duties determined by the Constitution and law⁶⁴.

The Government and each of its members are accountable to the Assembly. The Assembly may take a vote of no-confidence in the Government. A vote of no-confidence in the Government may be initiated by a minimum of 20 Representatives. The vote of no-confidence in the Government is taken after three days have elapsed from the day of its proposal. Another vote of no-confidence in the Government may not be proposed before 90 days have elapsed since the last such vote, unless proposed by a majority of all Representatives. A vote of no-confidence in the Government is adopted by a majority vote of all the Representatives. If a vote of no-confidence in the Government is passed, the Government is obliged to submit its resignation⁶⁵.

The Government itself has the right to raise the question of confidence before the Assembly. The Government has the right to submit its resignation. The resignation of the Prime Minister, his/her death or permanent inability to perform his/her duties entail the resignation of the Government. The Government ceases its term of office when the Assembly is dissolved. When a vote of no-confidence in the Government has been passed, it has submitted its resignation, or its term of office has ceased owing to the dissolution of the Assembly, the same Government remains on duty until the election of a new Government⁶⁶.

⁶³<https://constitution.org/cons/macedoni.htm> (31.12.2019)

⁶⁴<https://constitution.org/cons/macedoni.htm> (31.12.2019)

⁶⁵<https://constitution.org/cons/macedoni.htm> (31.12.2019)

⁶⁶<https://constitution.org/cons/macedoni.htm> (31.12.2019)

A member of the Government has the right to submit his/her resignation. The Prime Minister may propose the dismissal of a member of the Government. The Assembly decides on the proposal for the dismissal of a member of the Government at its first meeting following the proposal. If the Prime Minister dismisses more than one-third of the initial composition of the Government, the Assembly follows the same procedure as for the election of a new Government⁶⁷.

The state administration consists of Ministries and other administrative bodies and organizations determined by law. Political organization and activities within bodies of state administration are prohibited. The organization and work of the bodies of state administration are regulated by a law to be adopted by a two-thirds majority vote of all Representatives⁶⁸.

The bodies of state administration perform the duties within their sphere of competence autonomously and on the basis and within the framework of the Constitution and laws, being accountable for their work to the Government⁶⁹.

The bodies of state administration in the fields of defense and the police are to be headed by civilians who have been civilians for at least three years before their election to these offices⁷⁰.

1.5.5. The Council of Ministers of the Republic of North Macedonia

The Council of Ministers shall be elected by the Assembly by a simple majority vote. After the elections, the party holding the majority of the seats prepares the list of ministers and receives the votes from the Assembly and sends it to the president for approval. After the President approves the new government, the Prime Minister forms the Council of Ministers and starts their duties.

After the elections are completed, with the approval of the State Election Board, the deputies begin their duties and the party which has the highest number of deputies establishes the government list and presents it to the parliament. The government is formed after it is approved and applied to the President to form a government with the votes it receives from the parliament.

Although VMRO won in the last elections in Macedonia, it could not form a government because it could not get a majority vote and the country entered a short-term political crisis.

After VMRO was unable to form the government, the SDSM formed a coalition with the Albanian parties to win a majority vote and form the government.

⁶⁷<https://constitution.org/cons/macedoni.htm> (31.12.2019)

⁶⁸<https://constitution.org/cons/macedoni.htm> (31.12.2019)

⁶⁹<https://constitution.org/cons/macedoni.htm> (31.12.2019)

⁷⁰<https://constitution.org/cons/macedoni.htm> (31.12.2019)

The ministries and number of Public Employees of them are given below:

The ministries and the number of Employees:

	Ministry	Number of Employees
1	Ministry of Internal Affairs	12445
2	Ministry of Economy	146
3	Ministry of Environment and Spatial Planning	210
4	Ministry of Health	129
5	Ministry of Agriculture, Forestry and Water Supply	977
6	Ministry of Information Society and Administration	222
7	Ministry of Culture	168
8	Ministry of Local Self-Government	53
9	Ministry of Foreign Affairs	437
10	Ministry of Education and Science	243
11	Ministry of Defense	7990
12	Ministry of Justice	229
13	Ministry of Transport and Communications	260
14	Ministry of Labor and Social Policy	304
15	Ministry of Finance	651
Total		24464

Source: Годишен извештај од регистарот на вработените во јавниот сектор - Annual report from the public sector employee register, 2018

The public bodies in the ministries are given below:

- State Foreign Exchange Inspectorate
- State Inspectorate for Construction and Urbanism
- Environmental State Inspectorate
- State Inspectorate for Agriculture
- State Local Self-Government Inspectorate
- State Inspectorate for Technical Inspection
- State Labor Inspectorate
- State Forestry and Hunting Inspectorate
- State Educational Inspectorate
- State Sanitary and Health Inspectorate
- State Government Inspectorate
- Bureau of Metrology
- State Market Inspectorate
- Office for Hydro Meteorological Affairs
- Government for the Protection of Cultural Heritage
- Regional Development Bureau
- Education Development Bureau
- Government Book Directory Skopje
- Skopje Judicial Development Bureau
- Sanctions Execution Office

- State Communal Inspectorate Skopje
- Bureau of Public Procurement
- Public Revenue Administration
- Financial Police Administration
- Financial Intelligence Administration
- Customs Administration
- State Transport Inspectorate
- E-Health Administration

1.6. Public Administration in The Republic of North Macedonia

After looking at the public institutions and public enterprises that are the most numerous public sector institutions, in the following section we will look at the state bodies and institutions that hold some of the branches of state power. One of the fundamental values of the constitutional order of the Republic of Macedonia, ie the division of state power into legislative, executive and judicial, has been taken as a basis for differentiating these institutions.

As completely independent institutions whose basis derives directly from the Constitution of the Republic of Macedonia are: the Ombudsman of the Republic of Macedonia, the National Bank and the Constitutional Court.

In the public sector of the Republic of Northern Macedonia there are 1,314 active institutions, employing 132,068 people. Of these, 19,904 are employed in the Army of the Republic of Northern Macedonia, the Intelligence Agency, the Ministry of Interior, and its constituent bodies with the status of authorized officials for whom the Registry only records data on the number but not their structure.

Education level of all employees in North Macedonian Public Administration:

	Education level of all employees	Number of employees
1	No education	347
2	Semi-qualified	118
3	Qualified	225
4	Elementary education	10015
5	Secondary education	38373
6	Highly qualified	4682
7	Higher education 2 years	1069
8	Higher education 3-4 years	50301
9	Masters	5053
10	PhD	1981

Source: Годишен извештај од регистарот на вработените во јавниот сектор - Annual report from the public sector employee register, 2018

Ethnic structure of all employees in North Macedonian Public Administration:

	Ethnic group / Nation	Number of Employees
1	Macedonians	83993
2	Albanians	22060
3	Turks	2110
4	Romanian	1355
5	Serbs	1019
6	Bosnian	450
7	Vlachs	423
8	Others (did not declare)	754

Source: Годишен извештај од регистарот на вработените во јавниот сектор - Annual report from the public sector employee register, 2018

Type of Institution Number of Subjects:

Public Institution – 903

Public Company – 137

The Municipality – 81

Court – 34

Self-Government Body – 32

Public Prosecution – 29

Body of Ministries – 29

Ministry – 15

A Single State Authority – 13

Regulatory Body – 10

Legal Persons With Public Authorities – 18

Secretariat In The Government – 3

Government Of North Macedonia – 1

Constitutional Court – 1

Ombudsman – 1

National Bank – 1

Special Body of State Government – 1

President – 1

Government Service – 1

Assembly – 1

Council of Public Prosecutors – 1

Court Council – 1

Total 1314 institution are existing in North Macedonian Public administration.

Most of the institutions are public institutions with a total of 903. Of these, 543 in the field of education, 112 in the field of health, 117 in the field of culture, 115 in the field of labor and social affairs, 12 in the field of justice, 3 in the field of environment and 1 in the field of information society institution.

The total number of public enterprises is 137, of which 114 are public utilities communal affairs, 8 are public enterprises for agriculture and forestry, 4 are public transport companies, 2 public utilities for informing, 1 public utility for information society enterprise and 8 public utilities of other activities of public interest.

Out of the total number of 137 public enterprises, 13 are established by the Government of the Republic of North Macedonia, 3 are established by the Assembly of the Republic of North Macedonia, and the largest 121 public enterprises are established by the City of Skopje and the municipalities.

PART II
FOREIGN DIRECT INVESTMENT AND PUBLIC POLICIES
IN NORTH MACEDONIA

2.1. Customization of State Assets

The economic crisis experienced by Macedonia and the economic hardships that were exacerbated by Greece's pressures forced the country to produce unique solutions. The decisions of the government had to take care of economic problems, not to attract the reaction of the international public, and to comply with the neoliberal policies of the globalizing world. During this period, the Macedonian government initiated denial and legalization processes, reassuring confidence in the votes it won, and aligned itself with liberal policies.

This law included the conditions and procedure for the return of goods and property, the conditions and procedure for the compensation of goods confiscated in favor of the state, and included either reimbursement of religious temples, monasteries, foundations and individuals seized from 2 August 1944, or the reimbursement of property. For all the products expropriated by the socialist regime of Yugoslavia, the door of recycling was opened.

The subject matter of the denationalization is property: Until the date of the Agricultural Reform and Colonization Regulations entered into force and the date of the Private Commercial Property Expropriation Regulations entered into force, it was approved by the declaration of will and threat. is valid until the first date of the regulations on the expropriation of leased buildings and building lands.

Individuals who have been dispossessed have direct application rights and their heirs have the status of plaintiffs if they are not alive. The Minister of Finance decides the request for extradition. The Minister of Finance has the right to establish one or more qualifying committees to decide on the requests for denationalization.

There is no charge in the denationalization procedure and the goods and assets that can be returned are as follows: Houses and apartments are returned to the property; The goods granted by the State as privileged are returned to the property; Business buildings and businesses are returned to the property; The transported goods are returned to the property.

When there is no transformation of a company with social capital, the company returns to the real estate or other asset where the qualification request is submitted.

If the property is non-returnable or in a common condition, other government-owned properties or government-owned shares of the same type are returned.

Claims related to the immovable property are submitted to the return authority of the region where the property is located at the time of foreclosure. Requests for movable property shall be made to the return authority in the area where the former landlord is seized.

The Government of the Republic of Macedonia may appeal the decision of the qualifying body. An administrative dispute may be brought against the decision of the denationalization procedure.⁷¹

2.2. Privatization of Some Public Enterprises

Privatisations of State owned enterprises were performed quickly and almost completely in the 90's, mostly through sales to the management and employees of the companies. Out of about 2000 State owned enterprises, less than 50 are still currently not privatised.

The Macedonian government has now engaged upon a final process of privatisation / concession of the public sector. After the successful privatisation of the telecommunications industry and partial privatisation of the energy sector (the national electricity distributor having been sold to EVN from Austria), the Government now has ambitious plans to restructure and privatise the remaining publicly-held energy, transport and health sectors.⁷²

The process of privatization in the Republic of Macedonia started in 1989 in Yugoslavia⁷³. The concept of privatization under those laws was an internal shareholder, when large shareholders employed large shareholders to become owners for the most part in their companies.

⁷¹Закон за Денационализација (2000) Law on Denialization (пречистен текст) “Сл. весник на Р-Македонија” (consolidated text) “Official Gazette of the Republic of Macedonia ” no:43/2000, Skopje.

⁷²PAPAZOSKI, Mishev (2016), “Guide to Doing Business and Investing in Macedonia”. 2016 Edition, PwC publishing, Skopje, p.14.

⁷³Закон за прометот и располагањето со општествениот капитал,(2019) Law on Turnover and Disposal of Social Capital, Official Gazette Службен лист на СФРЈ 84/89, Skopje.

Later in June 1993, the Macedonian Law on the Transformation of Socially-Owned Enterprises was adopted, which introduced a different and completely more market-based model of privatization, which intensified the privatization process⁷⁴.

Then, in 1995, the Law on the Restructuring of Some of the Enterprises That Express Their Losses was adopted, and in 1996 the Law on the Transformation of Socially-Owned Enterprises and Co-operatives with Agricultural Land.⁷⁵

In 1996, another law was passed, the Law on Privatization of State Capital in Enterprises, which Article 14 provides for discounts on the sale of state capital, for the payment of Macedonian Denar cash, in cash when selling state capital by public call of 60%.

The privatization process was led by the Agency for Transformation of Socially-Owned Enterprises, commonly known as the Privatization Agency. At its close in late 2003, shares and stakes were sold in 1,700 companies for which the state collected just over 2 billion and 300 million Euros.⁷⁶ According to some estimates, in this privatization process the state barely collected 20% of the value of the enterprises.⁷⁷

Of the countries in Central and Eastern Europe, privatization processes in Macedonia and Romania are considered the most unsuccessful. The worst result of the transformation of state-owned enterprises is the so-called loss-making enterprises.⁷⁸

Department for Normative Property and Legal Affairs and Torts deals with the property and legal relations (preparation and proposal of legal regulations and bylaws), where the state appears as one of the parties (expropriation, privatization of construction land).⁷⁹

⁷⁴Закон за трансформација на претпријатијата со општествен капитал, (1993) Law on Transformation of Enterprises with Social Capital, <http://www.pravo.org.mk/documentDetail.php?id=556> (26.12.2019)

⁷⁵Закон за трансформација на претпријатијата и задругите со општествен капитал кои стопанисуваат со земјоделско земјиште (1996), Law on the Transformation of Socially-Owned Enterprises and Co-operatives in Agricultural Land Management, <http://www.pravo.org.mk/documentDetail.php?id=594> (26.12.2019)

⁷⁶ Приватизацијата во Република Македонија, Privatization in the Republic of Macedonia, https://mk.wikipedia.org/wiki/Приватизацијата_во_Република_Македонија (27.12.2019)

⁷⁷Закон за изменување и дополнување на законот за отстапување на деловни средства од страна на претпријатијата во коишто република македонија и агенцијата на република македонија за трансформација на претпријатијата со општествен капитал имаат акции односно удели, Law amending the Law on Assignment of Business Assets by Enterprises in which the Republic of Macedonia and the Agency of the Republic of Macedonia for the Transformation of Socially-Owned Enterprises with Equity or Shares, <http://nov.adsdp.mk/закони/> (27.12.2019)

⁷⁸ПЕЦИЈАРСКИ Љупсо, (1998)“Транзицијата во Македонија: меѓу теорија и пракса” Transition in Macedonia: between theory and practice”, Faculty of Economics, Metafora publishment, Prie, p.34

⁷⁹Управа за имотно правни работи, Property and Legal Affairs Office <https://www.finance.gov.mk/mk/node/2918> (27.12.2019)

Department for Normative Property and Legal Affairs and Torts provides opinions on ownership and other property and legal relations, which concern the Government and other government bodies and local government units, and keeps records on real estate which the government bodies ceased using it, as well as records for the needs of using real estate of government bodies pursuant to: Law on Usage and Management of Assets Used and Managed by Government Bodies (Official Gazette of the Republic of Macedonia, no. 8/2005)

Administrative Procedure Department performs tasks related to coordination of the duties and tasks of the regional administrative procedure offices for property and legal affairs, supervision over the application of regulations in administrative procedure, guidelines and instructions on equal application of regulations in the regional offices, as well as monitoring the operations of regional offices when carrying out first-instance procedure.

Following laws apply when carrying out first-instance procedures:

- Law on Expropriation (Official Gazette of the Republic of Macedonia, nos. 33/95, 20/98, 40/99, 31/03, 46/05, 10/08 and 106/08)
- Law on Privatization and Lease of State-Owned Construction Land (Official Gazette of the Republic of Macedonia, nos. 4/2005, 13/2007 and 165/2008)

On the other hand, regional administrative procedure offices perform tasks pertaining to conducting first-instance administrative procedure in the field of expropriation and privatization of state-owned construction land.⁸⁰

After these laws within 10 years the number of employees in public enterprises has more than doubled.⁸¹

The public sector employment register shows that there are as many as 129 public enterprises in Macedonia employing 17,872 people. According to the data, the Ombudsman in public enterprises in Macedonia in 2007 employed 8,299 people, which means that for ten years the number of employees in public enterprises has increased by 115% or more than double. The main reason for the steep rise in staffing can only be traced to the fact that

⁸⁰ Постапка по Законот за Приватизација и Закуп на Градежно Земјиште, Proceedings under the Law on Privatization and Lease of Construction Land, <https://www.finance.gov.mk/mk/node/2919> (28.12.2019)

⁸¹ ZDRAVKOVSKA Biljana, “За 10 години бројот на вработени во јавните претпријатија зголемен повеќе од двојно” In 10 years the number of employees in public enterprises has more than doubled, <https://kapital.mk/za-10-godini-brojot-na-vraboteni-vo-javnite-pretprijatija-zgolemen-poveke-od-dvojno/> (27.12.2019)

public enterprises in Macedonia have always been abused by government politicians as the cradle for housing party cadres and solving social cases. There can be no economic reasons, because even the largest and most profitable companies in Macedonia do not, nor can they afford such a large increase in employee costs. This is just one example that most ably shows that government politicians treat public enterprises as centers for solving social problems. Because of such similar examples that are innumerable, today we have a situation of overemployment in public enterprises, and many of them operate at a loss, unable to cover even the basic costs of operating by accumulating enormous debts to state institutions and tax-based funds, contributions and other charges.⁸²

Table.3 Privatization Process of North Macedonia – 2003 *

Sector	Number of Privatized Enterprises	Number of State Owned Enterprises	Current Situation (Euro)	Current Situation (Euro)
Industry	495	24	1,473,774,000	17,635,539
Farmed	429	15	201,173,820	10,013,480
Construction	123	5	120,124,967	4,750,073
Trade	354	21	256,895,285	6,500,869
Transport And Traffic	52	1	40,260,965	484,391
Finances and Services	116	9	115,069,317	531,596
Handicraft	55	1	24,693,168	184,065
Tourism	63	3	93,728,168	1,703,927
Total	1657	79	2,325,665,752	41,803,913

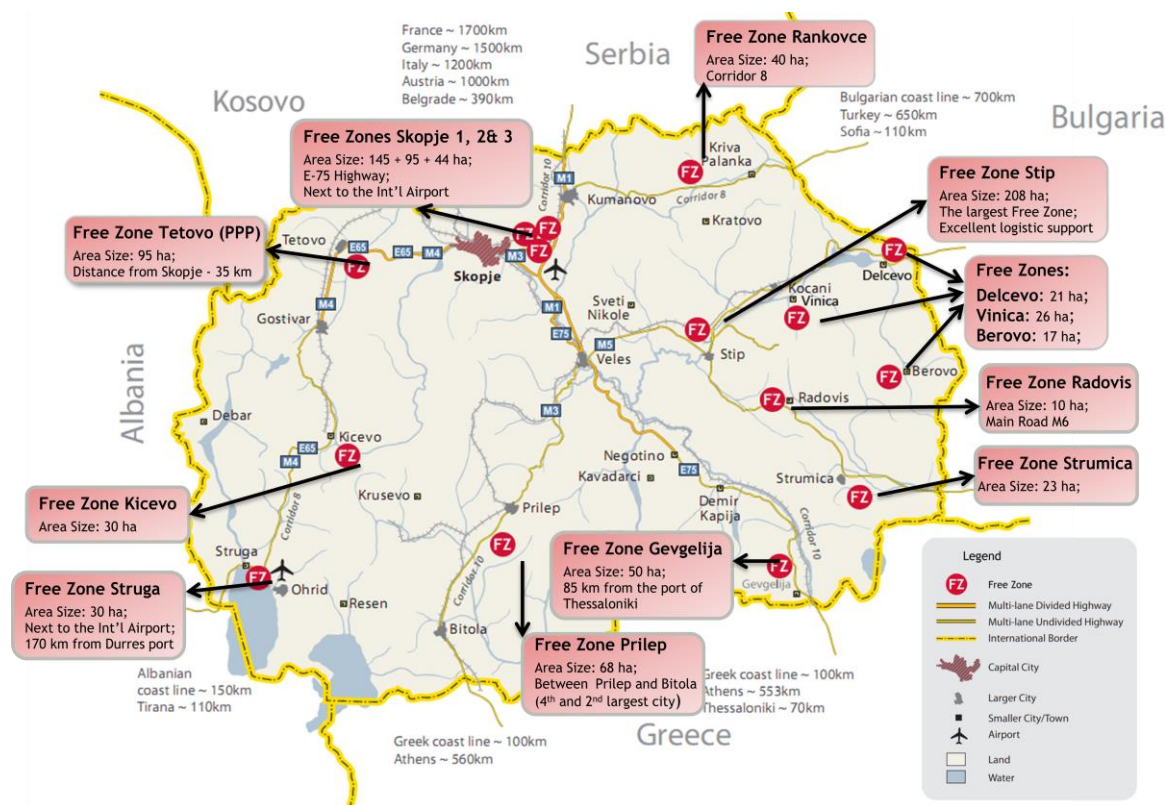
* Source: Годишен извештај од регистарот на вработените во јавниот сектор - Annual report from the public sector employee register, 2018

2.3. Creating Technological Industry Development Zones

The establishment of Free Zones was approved by the Government of the Republic of Northern Macedonia in August 2000 and the Free Zones Authority was officially launched in January 2002 after the necessary legal arrangements were made. Until 2006, the Government of the Republic of Northern Macedonia was blessed with new opportunities to

⁸² Јавни претпријатија, public enterprises, <https://prizma.mk/tag/javni-pretprijatija/> (27.12.2019)

accelerate the overall progress of the country's economy, further implementing the accelerated economic development strategy and making FDI attraction a top priority. On October 5, 2006, Johnson Controls, the first tenant of the Skopje 1 free zone, laid the cornerstones of its new facilities. The project was completed by the end of 2007 and started operations in October 2007.⁸³



Map 1. TIDZ in North Macedonia

A total of 15 TIDZs have been established since the establishment of Macedonia. Of these, it only works with the TIDZ PPP model in Tetovo, others are state-owned TIDZs. There are 3 TIDZs with the highest number of employees and businesses, and easy access to Skopje is located in the area called Bunardzik. Other 11 TIDZs were allowed to be established to support regional development. These are in order of name: Berovo, Delcevo, Gevgelija, Kicevo, Prilep, Radovis, Rankovce, Stip, Struga, Strumica and Vinica TIDZs. FDI is constantly subsidized by the state for the investments it wants to make in these regions. The factories built recently include Condevo and Technical Textiles in Stip, Gentherm and Accomplast in Prilep, Lear in Tetovo, Kostal and ODW Elektrik in Struga and KSS in Kicevo.

⁸³History, <http://fez.gov.mk/about-us/#1516610898513-f1f141ee-3d22> (27.12.2019)

“Labor market for TIDZ: North Macedonia prides itself on its educated, highly-qualified, and ethical workforce available to foreign investors. The average gross monthly salary at the national level in 2015 was €522. Educational standards at technical higher educational institutions in North Macedonia resemble those of Western countries. Workers welcome continuing education and life-long learning, successfully completing customized vocational training programs. The Government aids investors in the process of labor force training by participating in such programs. Education geared for business: Elementary and high school education, as well as English language learning, are mandatory in the North Macedonian educational system and begin in the first grade of elementary school. In addition to standard high schools, many vocational high schools in each city enable students to learn various trades. There are five public and numerous private internationally recognized universities and colleges. Both, vocational schools and universities offer tailor-made training programs in an effort to meet the specific needs of companies investing in Macedonia. In the past several years, North Macedonia on average spent 6% of its GDP on education, a percentage higher than the corresponding one in most of the OECD countries.”⁸⁴

Every year approximately 80% of high school graduates are enrolled in universities, and there was a 35% increase in the total number of undergraduate degrees in the past several years. With 45% of the population under 30 years of age, North Macedonia offers a young, educated, and skilled workforce. Salaries in TIDZ: Although the average gross monthly salary at the national level in 2015 was €522, the average gross monthly salary in the manufacturing sector was €393. These amounts include the net salary, personal income tax and social contributions for pension and disability insurance, health insurance and employment insurance. The minimum salary for each professional branch is defined by Collective agreements⁸⁵.

The Law on Technological Industrial Development Zones provides for a special tax treatment for any investor who invests in the appointed zones. Generally, these incentives include:

- Ten-year tax holiday from profit tax for entities performing their business activities in the zones
- Certain exemption from value added tax (VAT) for trade made within the zone and for imports in the zones
- Tax holiday from personal income tax on salaries to all workers employed at

⁸⁴Labor market <http://investnorthmacedonia.gov.mk/why-north-macedonia/labor-market> (31.12.2019)

⁸⁵<http://fez.gov.mk/setting-up-a-business/#1516703670814-077e2374-a312> (31.12.2019)

entities carrying out business activities in the zones for a period of 10 years from the month in which the first salary is paid.

“In addition to the tax incentives, this Law also provides for certain customs exemptions, exemptions from fees for preparation of the construction site, free connection to the water, sewerage, heating, gas and power supply networks, and other incentives.

Forms of foreign investments The Law on Foreign Exchange Operations defines direct investments as investments by an investor with the aim of establishing lasting economic links and/or realizing a right to manage a trade company or another legal entity in which the investor has invested. The law lists the following types of direct investments:

Creation of a trade company or extending the equity of a trade company to full ownership by the investor, establishing branches, or the acquisition of full ownership of the existing company

Participation in a new or already existing trade company if the investor holds or acquires more than 10% of the participation in the equity of the trade company, i.e. more than 10% of the voting rights

Long-term loan with a maturity period of five years or more, when it is a loan from an investor intended for a trade company that the investor fully owns

Long-term loan with a maturity period of five years or more, when it is a loan intended for establishing lasting economic links and if such loan has been granted between economically associated entities.

Profit and capital repatriation According to the Law on Foreign Exchange Operations, foreign investors can freely transfer profit, proceeds from disposal and sale of ownership shares in direct investments and the remainder of a liquidated investment, provided that they have registered their direct investments according to this Law and have paid all legal obligations relating to taxes and contributions in the Republic of North Macedonia.

Establishment of new business entities or acquisition of shares in existing entities North Macedonian laws provide that foreign entities and/or foreign individuals may establish entities with foreign participation and may acquire shares in existing local entities. Such companies must take the form of entities as outlined in the Trading Company Law. There is no limitation on the share participation of foreign legal entities and individuals, unless otherwise provided for by another law for specific types of businesses.

Generally, no prior permission from governmental institutions is required for the establishment of an entity of the above types, except for cases involving banking or insurance activities, and investment funds.”⁸⁶

TIDZs are special customs area, which is part of the territory of Macedonia, in which special customs and tax incentives prescribed by the Law on TIDZ are applied.

⁸⁶ <https://assets.kpmg/content/dam/kpmg/mk/pdf/Investment-in-Macedonia-2017.pdf> (31.12.2019)

User of TIDZ in accordance with the Company Law incentives in the Zones are applied only for the following activities: Production activities, IT and R&D activities and Services related to the import of the goods.

Technological - Industrial Zone Skopje 1 completed the infrastructure structure. The new administrative building, which will contribute to improving the conditions for running business in the zone, was put into use. It will include customs terminal with a capacity of 60 freight vehicles, forwarding, banking and postal services, restaurants, around 40 offices and other auxiliary premises necessary for the companies to operate in the zone.

According to ex Prime Minister Nikola Gruevski, thus the zone has one more ace to attract new investors and to provide for better conditions for the already existing companies therein: *“We believe that by construction and the adequate infrastructure equipping of the zones we will meet the ever greater interest in investing in the country, and thus we will provide for opening as many factories and creating as many jobs as possible in Macedonia, Gruevski stressed, during his address at the opening ceremony of the new administrative building in TIDZ Skopje I”*. He went on that this way of structure will apply for all other zones across Macedonia, pointing out that the Government will continue to be committed to working on sound economic policies, to be partner with the businessman, to cherish the good business climate and constant promotion of Macedonia and Macedonian companies for running business abroad.

According to ex Vice Prime Minister and Minister of Finance, Zoran Stavreski, this investment is aimed at creating better conditions for running business in the zone. *“Benefits from the TIDZ concept are evident. In the period 2007-2011, foreign direct investments in the country amounted to EUR 1.5 billion on cumulative basis, increasing by 93% compared to the period 2003-2006, and what is important is that it happens in times when the global economy experiences its most difficult moments since the Great Depression”*, Stavreski pointed out. He stressed that foreign direct investments the Government brought to this country will create 10,000 new jobs, most of which are in this zone. In addition to the job creation, companies operating in the zone will contribute to boosting the export. Johnson Metti participated in the total export with US\$ 642 million, while the share of Johnston Controls amounted to US\$ 85 million, meaning that only these two companies participated with 16% in the total export last year, amounting to US\$ 4.45 billion. These are the very reasons, i.e. job creation, increase in production, export and other benefits arising from the foreign direct investments, why the Governments remained to be committed thereto. Therefore, we will work on ensuring better conditions for running business to be in favour of both foreign and national investors, Minister of Finance said.

32 % out of the total 140 hectares in TIDZ Skopje is rented, while 20% are already occupied by foreign companies. Director of TIDZ Directorate Viktor Mizo stressed that they expect to have positive decision by the end of this year and to start the construction by the end of the construction season. He added that it is mainly a matter of companies in the car industry from Europe and North America and that some of them have reached internal fundamental decisions, however, the moment of announcing the overall process depends on them. *“As for “Kemet” investment,*

Mizo pointed out that the overall building is completed and it has been working for 1.5 month already and that they have engaged around 70 employees and new people are to be engaged. Construction of “Protek Group” is nearing completion, while the one of “MM Fiber” is carried out according to the envisaged dynamics. As for “Maderson”, as Mizo pointed out, there was certain delay of the deadline, however, they started the construction activities and it is expected for them to be completed and become operational by the end of the second quarter of next year”. Reason for this is that this year, in Europe, in the first two quarters, sale of cars reduced by around 10%, being their final clients, Mizo said. According to him, by entering into the second phase of “Johnson Metti” and through the investments of other companies in TIDZ Skopje 1, the export is expected to experience two-fold increase in the period 2013-2014.⁸⁷

2.4.Establishment of Foreign Investment Agency

Although it is the poorest in the six former Yugoslav republics, Northern Macedonia is still able to meet its own food and energy needs using its own agricultural and coal resources. However, due to the scarcity of arable land in the Vardar River Valley and other valleys to the west, agricultural employment was limited; Therefore, a large number of Macedonians are challenging employment opportunities in neighboring countries and in Germany.⁸⁸

Invest North Macedonia is an official Government investment and export promotion agency responsible for attracting foreign investments and supporting the export promotion of the Republic of North Macedonia. Their mission is to encourage and support new FDI to the country, establish and enhance business cooperation with local suppliers and promote the export potential of local companies to foreign markets. They offer a dynamic structure ready to guide you throughout the decision-making process by providing professional and timely service. In order to meet potential investor's needs they provide general and industry related information, arrange appropriate itineraries for companies' business visits to North Macedonia, and closely collaborate with governmental authorities to enable fast start-up operations.

The Government of the Republic of North Macedonia is committed to economic growth and development in the country. To this end, measures have been created to support the economy, whose main purpose is to stimulate investment, technological development and increase the competitiveness of Macedonian companies. The Law on Financial Support to Investments regulates the types, amount, conditions, manner and procedure for granting

⁸⁷TIDZ Skopje 1 obtained all necessary conditions for running business and attracting new investors, <https://www.finance.gov.mk/mk/node/2735> (27.12.2019)

⁸⁸GÜLER, Ali (2019), Kuzey Makedonya'da Devlet Memurluğu Sistemi, Balkan Ülkelerinde Devlet memurluğu, Ed. Bilgin, K.U, Gazi kitapevi, Ankara, s.237-257.

financial support to investments of business entities that will invest in the Republic of North Macedonia.

If a business requires finding suitable local partners, they will guide to FDI through the process and make sure than an open exploratory dialogue will take place. Their aftercare team provides assistance by mediating on FDI's behalf with local authorities and the Government to support investor's expansion or reinvestment plans provide assistance in obtaining required permits and be at investor's disposal to ensure continued success of your business venture in North Macedonia.⁸⁹

The investment agency of North Macedonia can vary both on a structural and political basis according to the political stance of the governments. When Invest Macedonia was established, it has appointed economic promoters in many countries around the world and has managed to attract many investments in line with their work.

Finally, when the Zoran Zaev government was formed, he changed the structure of Investment Agency and prime minister cancelled the Economic promoter program in agency, this was a prime minister's promise in his election campaign. With the newly arrived government, the existing agency team attends trade fairs organized abroad and provides investment opportunities and provides consultancy services to investors wishing to come to Northern Macedonia; however, economic promoters have constantly resided in foreign countries and held seminars with local and international trade organizations of these countries, making face-to-face meetings with entrepreneurs there and maximizing the rate of investment.⁹⁰

2.4.1. Country Introduction in Foreign Countries

There are many organizations abroad for the promotion of the country. The political upheavals and the country's name change have made the country a high level of advertising. But for the FDI are interested in economic characteristics of the country and the facilities provided by the state are important. At this point, the canceled economic promoter program was successful. Instead of the canceled program with the new regulations; officers from the Investment Agency participate in fairs held abroad and try to attract investments to the country. On the other hand, the Prime Minister of Northern

⁸⁹Welcome to Invest North Macedonia, <http://investnorthmacedonia.gov.mk/about-us> (27.12.2019)

⁹⁰STOJANOV Srgjan, Многу врева, малку резултати, A lot of noise, little results, <https://novatv.mk/stranski-investicii-mnogu-vreva-malku-rezultati/> (27.12.2019)

Macedonia, whose commercial history is known, has followed a successful policy by bringing foreign investments to the agenda during his visits to many foreign countries. At the same time, he appointed a minister of state responsible for foreign investments, organized the steps to be taken on behalf of the state and tried to replace the economic promoters.⁹¹

Invest North Macedonia will be organizer of the national stand at the Munich Fabric Start-Manufacturing Fair in Munich, Germany, with logistical support for all participants provided by the Swiss Export Support Program (SIPPO). This Manufacturing Fair provides space that is fully targeted for companies that offer manufacturing services in the textile industry. In this way, the fair meets the needs of the fashion industry buyers who are looking for services for the so-called full-package, private label, but also other production services in the textile industry. This year a new hall has been introduced, integrated into the concept of the existing Munich Fabric Start and it is fully committed to the apparel manufacturers, and it is a great opportunity to connect with representatives of the German and European textile business community.⁹²

2.4.2. Providing Consultancy Services to Foreign Investors

Invest North Macedonia is an official Government investment and export promotion agency responsible for attracting foreign investments and supporting the export promotion of the Republic of North Macedonia. The agency offers a dynamic structure ready to guide you throughout the decision-making process by providing professional and timely service. In order to meet potential investor's needs they provide general and industry related information, arrange appropriate itineraries for companies' business visits to North Macedonia, and closely collaborate with governmental authorities to enable fast start-up operations. As an institution dedicated to making this process as beneficial and effortless as possible, agency's various specialized departments are at FDI's service.

There are four active teams working in Invest Macedonia Agency to give consulting services for the FDI: Investor Servicing, Aftercare team, Export Promotion group and Marketing Department of agency.

⁹¹Makedonyalı Bakan Hasan'dan, KOTO'da iş insanlarına yatırım çağrısı, <http://balkantime.net/makedonyali-bakan-hasan-dan-koto-da-is-insanlarina-yatirim-cagrisi/1384/> (27.12.2019)

⁹²Invest North Macedonia on Munich fabric start fair, <http://investnorthmacedonia.gov.mk/events> (27.12.2019)

Investor Servicing is the team leads FDI through the initial inquiry phase and arranges a suitable itinerary to visit North Macedonia. Once present in North Macedonia, the investor's visit culminates with an objective evaluation of the potential success of its project based on the current business climate. Should investor deem North Macedonia to be an appropriate location for its business needs, rest assured that Invest North Macedonia interacts on your behalf with central and local Government authorities and aid you through the process to ensure that an open exploratory dialog takes place. If finding a local business partner in the country is what interests the investor, Investor Servicing along with our Export Promotion department will facilitate appropriate meetings and strive to meet all of investor's requests.

Aftercare team gets activated when FDI's organization has settled in the country, Invest North Macedonia's Aftercare department will continue to cater to FDI's needs and resolve any issues that may ensue. Meeting business requirements is their primary goal. Invest North Macedonia understands the ever changing business needs as an operation grows, and to that effect, they pledge to collaborate closely with FDI to facilitate that growth in North Macedonia.

Export Promotion group is also dedicated to help Macedonian companies increase their exports and grow their business in international markets. Invest North Macedonia's Export Promotion Department helps companies by generating leads that could potentially result in a sale, through their Business Development services. Business development services include trade fairs, trade missions and B2B meetings. In addition, Invest North Macedonia offers market information services that are aimed at providing the most timely industry information, analysis, events, and contacts in order to leverage FDI's business on the market.

Marketing Department prepares the promotional activities of the Agency aimed at promoting investment opportunities in the country and the export potential of Macedonian companies. In terms of promotional activities, the department successfully carries out the promotional campaign "Invest in North Macedonia" by various segments of print, radio and television advertising, preparation and distribution of promotional materials, international fairs, forums, conferences, and other promotional events, direct marketing through an active network of economic promoters in the target countries, website and social media integration and public relations.

The Law on Financial Support for Investments regulates the types, amount, conditions, form and procedure of financial support for FDI investments that will invest in the Republic of Northern Macedonia.

If the incoming FDI plans to establish a partnership with a local business, then FDI will be guided throughout the process and ensure a clear discovery dialogue will take place.

The aftercare team of Invest in North Macedonia will provide assistance by mediating on FDI's behalf with local authorities and the Government to support FDI's expansion or reinvestment plans, provides assistance in obtaining required permits and be at FDI's disposal to ensure continued success of business venture in North Macedonia.

An investor can even contact the team from abroad, plan a visit to Northern Macedonia and contact with the team.

The state ministry responsible for foreign investment is an institution that can be contacted if necessary and explains how the investor can benefit more from the opportunities in northern Macedonia. The ministry cabinet presents the opportunities as a presentation, and even the Minister may be included in the protocol if necessary.

In addition, in Office of the President of the Government of the Republic of Northern Macedonia there is a Special Adviser on Foreign Investments, who can be reached and necessary support and services are provided directly from the Prime Ministry. In the last government this task was handed over to Ljube Boskoski.⁹³

2.4.3. Providing Administrative Solutions for Foreign Investments

In order to attract FDI, the Republic of Northern Macedonia has made a number of innovations and suitability for investors. With the more liberal approach of the socialist state laws of the former Yugoslav soviet era, many laws were revised and made available to the global world.

The laws changed in North Macedonian legislation are given below:

- The law of foreign operations
- Trading company law
- The securities law

⁹³Канцеларијата на Претседателот на Владата на Република Северна Македонија, Office of the President of the Government of the Republic of Northern Macedonia, https://vlada.mk/sites/default/files/dokumenti/kpvrsm/vraboten_i_vo_kpvrsm_-_19.12.2019.pdf (27.12.2019)

- The law on takeover of joint-stock companies
- The investment funds law

The Macedonian Stock Exchange is a member of the Federation of Euro-Asian Stock Exchanges (FEAS) since 1996 and an affiliated member of the Federation of European Stock Exchange (FESE) since 2005. Memorandums of Understanding between the Macedonian Stock Exchange and the Stock Exchange in Sofia, Ljubljana, Athens, Belgrade, Zagreb and Vienna were signed. The Memorandum regulates the degree of cooperation between the two Stock Exchanges and the exchange of information as a first phase in building bilateral and regional relations. The Law on Foreign Exchange Operations regulates that residents, other than authorized banks, may not purchase securities abroad. The authorized banks may purchase and sell securities abroad on their behalf and for their account (only securities issued or guaranteed by Governments of member states of the OECD and by international financial institutions or securities with investment rating assessed by at least one top international investment-rating agency). The Deposit Insurance Fund, the insurance companies, the pension funds and the investment funds may purchase securities abroad in accordance with the laws regulating their operations.⁹⁴

The laws changed that are connected with Macedonian stock exchange MSE are given below:

- The banking law
- The law on property and other property rights
- The construction land law
- The law on privatization and lease of construction land on state property
- The law on real estate cadastre and the law on obligations

In accounting there were so many differences with the abroad countries and North Macedonia changed its accounting system to be easy adopted for the FDI. The adopted accounting rules are given below:

- International financial reporting standards IFRS 29/12/2009
- Rulebook of accounting
- Accounting standards boards IASB 01/10/2010

The auditing system of North Macedonia changed and The Law on Audit turned to International Standards of Audition ISA.

The taxation system changed and got decreased the percentages of Taxes and gave some other opportunities for FDI. The Macedonian Profit Tax Law became interesting for the

⁹⁴https://www.pwc.com/mk/en/about-us/doing_business_guide.html (31.12.2019)

FDI.

In 2004, the Macedonian administration reorganized the Company Law, which is constantly developing policies to attract FDI and introducing regulations in existing laws. The revised law launched the Central Register. All procedures required for the company are specified in the Central Register. The service provider since 2006: applies the type of company, its articles of incorporation and the procedures required for its operations. From this point on, all protocols up to the opening, in force and closure of a company are managed. FDI has the right to benefit from every right in this institution like domestic enterprises. If a function that does not have a code is required in Central Register, then the institution is not authorized to grant permission at this point, the necessary procedures and permits must be obtained from the other competent authorities of the state. For example, since there is no establishment code for the establishment of a Hair Transplant business in Northern Macedonia, the Ministry of Health may obtain the necessary permissions and activate the business in the Central Register.

According to the Companies Law, businesses are legal entities established by legal or natural persons and may have independent founder or shareholders. Tied to the types of companies have their own: names, registered addresses, rights and obligations. According to this law, 5 types of companies can be established in Northern Macedonia: Limited Partnership by Shares, Joint Stock Company, Limited Liability Company, Limited Partnership and General Partnership.

“North Macedonia has introduced a *One-Stop-Shop System* that enables investors to register their business after 2 hours of submitting an application. One can register a company in North Macedonia by visiting one office, obtaining the information from a single place, and addressing one employee. This significantly reduces administrative barriers and start-up costs. Work Visas and Permits; Foreign residents can easily establish employment in the Republic of Macedonia, after getting an appropriate visa or permit from the Ministry of Foreign Affairs, i.e. Diplomatic-consular offices abroad. Nationals of EU member-states, as well as nationals of the state-parties to the Schengen agreement may enter the Republic of North Macedonia presenting a valid identity card issued by the competent authorities of the EU member-states or the state-parties to the Schengen agreement.”⁹⁵

Visa Requirements and Procedure; Visas shall be issued only at the embassies or consulates of the Republic of North Macedonia abroad. The validity of the passport or other travel document of the applicant has to be minimum 3 (three) months. The applicant is to contact an embassy or the consulate of the Republic of North Macedonia for additional information about the conditions and procedure for visa issuance. The application may be submitted to the embassy/consulate of the Republic of North Macedonia by mail or fax, in which case the applicant must collect the visa in person. Using the list of diplomatic and consular missions of the Republic of North Macedonia

⁹⁵ <http://fez.gov.mk/setting-up-a-business/#1516703684943-4c47c713-b3cd> (31.12.2019)

abroad (which can be found at the Ministry of Foreign Affairs website) visa applicants can choose the most convenient embassy/consulate location to submit the application.

Licenses and Permits; in addition to the registration of all business activities as stipulated by the Company Law, certain business activities must obtain additional working licenses or permits before starting their operations. For companies operating in these specific fields, the registration process is followed by a licensing process with the relevant authorities covering the matter of licenses and/or permits in their respective business area. Employees in the Central Register are trained to direct newly registered companies to the appropriate licensing authorities.⁹⁶

The continued implementation of the reforms is an indication of how serious North Macedonia is taking the FDI issue seriously. Periodic discussions and regulatory reforms are carried out. There are given the examples of implementation reforms for; Regulatory reforms, Cadastral reforms and reforms for Liberalization of real-estate and labor market.

Regulatory reforms

- One-Stop-Shop: 4 hours company registration
- Regulatory Guillotine
- Electronic One-Stop-Shop for customs permits and licenses
- Single window: Improving interoperability between government institutions

Cadastral reforms

- Digital Cadastre covering 99% of the real estate in Macedonia
- Notaries and land surveyors have access to land register through on-line system

Liberalization of real-estate market

- Foreigners free to purchase real estate and construction land
- Simplification of procedures for obtaining construction permits from 21 to 3 steps

Liberalization of Labor Market

- Modern Labor Law

⁹⁶Setting up a Business, <http://fez.gov.mk/setting-up-a-business/#1516703684943-4c47c713-b3cd> (28.12.2019)

- Improved labor force flexibility⁹⁷

North Macedonia is located in the middle of the Balkan Peninsula and has easy access to the European market and is located in an important geographical location.

The fact that there is no problem in the sale of the products produced under the existing free trade agreements and that it acts as a bridge between Europe is an attractive feature for foreign investments.

It is also close to Thessaloniki Port and Durres Port, although there is no limit to the sea. In this way, it is also the gateway for overseas trade ties. With a population of approximately 2 million and cheap labor, it has favorable production conditions for foreign investors.

Northern Macedonia has many advantages compared to the surrounding Balkan countries. It is an opportunity for investors with both the ease of starting a business and the cheaper taxation system compared to other countries.

Educated, qualified and quick-learning labor force is another important advantage of Northern Macedonia. Communication and other infrastructure services are sufficient to meet the needs of investors.

Macroeconomic stability, which is aimed to be achieved as a result of economic and social reforms, will positively affect the expectations of foreign investors.

2.4.4. Provision of Infrastructure Services for Foreign Investments

TIDZ regions are the most frequently processed regions. Free trade zones include factories and derivative buildings built on state land. In general, they are positioned at points where tower access to highways can be provided. The first free zone is Skopje 1 TIDZ that started to be built in Macedonia, being in an advanced stage – having its own road artery, electrical, water supply, sewerage and gas supply network. Construction of administrative building in the zone, in which the Government has invested, was 69.5 million Denar. American companies "Johnson Controls" and "Kemet Electronics", British "Johnson

⁹⁷MUSTAFA Habil (2015) "Business climate and investment opportunities in Macedonia" Master presentation as Economic Promotor, Agency of Invest in North Macedonia, Microsof Power Point format, p.5.

Metti”, Italian "TeknoHose”, Russian "Protek Group", Indian "Maderson Group" already operate therein, and many others show interest in entering the zone.⁹⁸

After this successful government initiative, the Technology Industrial Development Directorate was established for the establishment of other TIDZs, expenditures and transactions there, and all authority was transferred to this directorate. The team, which has experience in infrastructure works, road works, water and sewerage operations, electrical operations and other issues, has assumed responsibility for the remaining 15 TIDZ regions.⁹⁹

2.4.5. Giving Opportunities for Foreign Investments

“Investment Protection and Trade Agreements Up to 30 bilateral Investment Protection Agreements have been signed, 13 of which are with members of the Organization for Economic Cooperation and Development (OECD). Among those who have signed such agreements are: Austria; Albania; Belgium; Belarus; Bosnia and Herzegovina; Bulgaria; China; Croatia; the Czech Republic; Egypt; Finland; France; Germany; Hungary; Iran; Italy; India; Korea; Malaysia; The Netherlands; Poland; Romania; The Russian Federation; Serbia; Montenegro; Spain; Sweden; Switzerland; Taiwan; Slovakia; Slovenia; Turkey; Ukraine. Free trade agreements have been signed with Turkey and Ukraine, the countries from EFTA and there is the Stabilization and Association Agreement with the EU, giving Macedonia duty-free access to markets of 650million consumers. In 2006 Macedonia became a member state of the Central European Free Trade Agreement.”¹⁰⁰

“Protection and promotion of foreign investments, National treatment and most favored nation status The North Macedonian Constitution stipulates that foreign persons (legal entities, individuals or civil partnerships registered in a foreign country) must enjoy equal rights with local persons when conducting economic activities in the Republic of North Macedonia except where otherwise provided by the law (“national treatment”). This principle covers the entire range of economic and legal forms used for business activity.

According to the Trading Company Law, foreign companies and foreign sole proprietors shall operate according to the terms and conditions stipulated by law and shall be given equal treatment in their operations with domestic individuals and legal entities on the territory of the Republic of North Macedonia, unless otherwise stipulated by an international agreement and/or by law regulating special types of

⁹⁸TIDZ Skopje 1 obtained all necessary conditions for running business and attracting new investors, <https://www.finance.gov.mk/mk/node/2735> (28.12.2019)

⁹⁹Technological Industrial Development Zones: Skopje 1, Skopje 2, Stip and Tetovo, <https://wbc-rti.info/object/organisation/10262> (28.12.2019)

¹⁰⁰ <https://assets.kpmg/content/dam/kpmg/mk/pdf/Investment-in-Macedonia-2017.pdf> (31.12.2019)

foreign companies and foreign sole proprietors with a specific scope of operations.

If a bilateral treaty signed and ratified by the Republic of North Macedonia provides for more favorable investment terms and conditions for international investors, the citizens or legal entities of the respective contracting country will enjoy preferential investor treatment (“most favored nation status”).

Protection of investments The Republic of North Macedonia is a party to 38 Bilateral Agreements for Mutual Protection and Encouragement of FDI. The country is also a party to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States.

Incentive measures and privileges The Republic of Macedonia has a flat tax rate of 10% for corporate and personal income tax purposes. Investors are eligible for reduction in the profit tax base by the amount of prior profit reinvested in tangible assets (such as real estate, facilities and equipment) and intangible assets (such as computer software and patents) used for expanding the business activities of the entity.

Tax incentives: the range of incentives in Macedonia includes exemption from customs duties, various tax holidays and specific tax relief measures. The low corporate income tax rate of 10% should also be a favourable incentive for the establishment of operations by foreign investors, especially under the current regime, applicable since 2014, where corporate income tax is not payable on reinvested profits, if ownership over the assets purchased with the reinvested profit is maintained for a period of five years as of the day of their purchase. The taxpayer, registered within a technological development zone is eligible for reliefs from payment of corporate income tax and personal income tax for a period up to ten years. In addition, import of goods in the zones as well as supply of goods from local suppliers exceeding EUR 1,000 which are not intended for final consumption are exempted from value added tax.”¹⁰¹

There has never been a better time to do business in Macedonia:

- Unbeatable tax benefits – Lowest in Europe
 - 10% Corporate & Personal income tax
 - 0% Tax on retained earnings
- Wages – Most competitive in Europe
 - € 506 per month
 - € 374 per month in manufacturing
- Lowest operating costs in Europe - drive industry expansion
- Your investment is protected
 - Government guarantees
 - Macedonia member of MIGA
- Tax Free Economic Zones

¹⁰¹https://www.pwc.com/mk/en/about-us/doing_business_guide.html (31.12.2019)

- Manufacturing, Financial, Medical, Tourism for Greenfield projects
- Commercial buildings available – Easy to start *Brownfield* projects¹⁰²

FDI incentives may take the following forms:

- Low corporate tax and individual income tax rates
- Tax holidays
- Other types of tax concessions
- Preferential tariffs
- Special economic zones
- EPZ – Export Processing Zones
- Bonded warehouses
- Investment financial subsidies
- Free land or land subsidies
- Relocation & expatriation
- Infrastructure subsidies
- R&D support
- Energy
- Derogation from regulations (usually for very large projects)
- Governmental Investment Promotion Agencies (IPAs) use various marketing strategies inspired by the private sector to try and attract inward FDI, including diaspora marketing.
- By excluding the internal investment to get a profited downstream

2.5. Determination of Public Policies for Foreign Investments

The relevant Public Policy of the Republic of Northern Macedonia for FDI is guaranteed by the constitutional article. The Constitution of Northern Macedonia guarantees equal treatment for domestic and foreign market participants and the right of FDI to freely transfer and return their investment capital and profits to their countries.

The republic of North Macedonia has enacted legislation that not only ensures an equal footing for FDI vis-à-vis their domestic counterparts, but also provides numerous incentives to attract such investment. The Constitution stipulates that a foreign person in

¹⁰²MUSTAFA Habil (2015) “Business climate and investment opportunities in Macedonia” Master presentation as Economic Promotor, Agency of Invest in North Macedonia, Microsof Power Point format, p.38.

North Macedonia may acquire property rights under conditions set by law. Furthermore, the Constitution guarantees a FDI the right to the free transfer of invested capital and profits. A foreign investor may also be an individual business person – sole proprietor. A foreign person may establish the same types of companies as a national of North Macedonia¹⁰³.

There is no single law regulating foreign investment. Rather, the legal framework applicable to FDI is made up by the laws below: the Audit Law, the Banking Law, the Companies Law, the Corporate Income Tax Law, the Foreign Trade Law, the Law on Foreign Exchange, the Law on Investment Funds, the Law on Takeovers, the Law on Value Added Tax, the Law on Supervision of Insurance, the Personal Income Tax Law, the Securities Law etc.

“In general, there are no restrictions governing the participation of FDI in the banking sector. Under the Law on Banks, acquisitions of more than 5% of a bank’s shares are subject to the consent of the National Bank of North Macedonia. The Law on the Supervision of Insurance requires that FDI and domestic investors should obtain an approval by the Agency for Insurance Supervision in respect of any purchase of shares which provides qualified participation in an insurance company (10%). Supplemental investments in the shares of the insurance company may be subject to additional approvals as well. The country currently has six Ministers and an investment agency dedicated to attracting and assisting FDI. The country has also concluded a number of bilateral investment protection treaties and other multilateral conventions that impose stricter protection standards for FDI.”¹⁰⁴

North Macedonia is a signatory of three multilateral Free Trade Agreements: Stabilization and Association Agreement (SAA) with the EU member-states; the European Free Trade Association (EFTA) and the Central European Free Trade Agreement (CEFTA) countries. At the same time North Macedonia is a signatory of Bilateral Free Trade Agreements are signed with Turkey and Ukraine.

North Macedonia’s major trade agreements are as follows: In April 2001, North Macedonia and the European Community and its Member States became signatories to the European Stabilization and Association Agreement, effective from 1 April 2004 and the

¹⁰³ https://www.pwc.com/mk/en/about-us/doing_business_guide.html (31.12.2019)

¹⁰⁴ https://www.pwc.com/mk/en/about-us/doing_business_guide.html (31.12.2019)

Interim Agreement on Trade and Trade Related Matters covering various trade components effective from 1 June 2001. In accordance with the Stabilization and Association Agreement, customs duties on industrial goods between North Macedonia and the EU countries are in the process of being phased out. Currently, there is a wide asymmetric liberalization of EU imports of industrial goods of North Macedonian origin which are duty-free. Relief for agricultural produce is also provided.

In March 2004, North Macedonia submitted an official application for European Union membership. Having acquired EU membership candidate status in December 2005, the Republic of North Macedonia embarked upon the key stages of European integration.

According to an Agreement signed on 19 June 2000 which entered into force on 1 May 2002, trade with EFTA countries (Iceland, Liechtenstein, Norway and Switzerland) enjoys preferential terms and conditions.

North Macedonia became a CEFTA member in 2006. The trade component of this agreement came into force on 26 July 2007. In accordance with CEFTA, North Macedonia began liberalizing trade in industrial and agricultural goods with CEFTA member countries: Albania, Bosnia and Herzegovina, Moldova, Montenegro, Kosovo and Serbia.

Bilateral Free Trade Agreements North Macedonia has signed and ratified such agreements with Turkey and Ukraine.

“The Republic of North Macedonia has signed agreements for avoidance of double taxation with the following countries: Albania, Austria, Belarus, Belgium, Bulgaria, Croatia, Denmark, Egypt, Estonia, Great Britain, Hungary, Iran, Ireland, Italy, Latvia, Lithuania, Germany, Finland, France, Hungary, Morocco, Moldova, Netherlands, People’s Republic of China, Poland, Romania, Russian Federation, Slovakia, Slovenia, Ukraine, Taiwan-Republic of China, Turkey, and Qatar. The Republic of North Macedonia has signed investment protection treaties with the following countries: Albania, Serbia, Bulgaria, Turkey, Croatia, Bosnia and Herzegovina, Slovenia, Romania, Austria, Germany, Switzerland, Netherlands, Belgium, France, Italy, Spain, Hungary, Czech Republic, Poland, Ukraine, Sweden, Finland, Russian Federation, People’s Republic of China, Malaysia, Republic of Korea, and India. In the process of ratification are Agreements with: Arab Republic of Egypt, Iran, and Belarus. Negotiations with the following countries are complete, and the Agreements are to be signed as soon as possible: Greece, Great Britain, Uzbekistan, Denmark, Oman, Slovak Republic, and Kuwait.”¹⁰⁵

¹⁰⁵ <http://fez.gov.mk/setting-up-a-business/#1516703763774-01eccc5d-a9d5> (31.12.2019)

As it can be seen, the Republic of North Macedonia provides all legal arrangements that may be necessary for FDI, by taking responsibilities both within the country and abroad with both constitutional articles and many international agreements.

2.5.1. Appointment of Minister of State for Foreign Investment Services

Coalitions of the political authority in forming the government, by the demands and agreements of the political party heads are forming the Board of Government. The Government Board of the Republic of Northern Macedonia consists: a Prime Minister, four Deputy Prime Ministers, sixteen Ministries and four Ministers without Portfolio.

Ministers without Portfolio are usually assigned to minority parties. Three of them serving as Minister without Portfolio in the Government of the Republic of North Macedonia in charge of Foreign Investment and providing relevant services in their own cabinet. The prime minister appointed Elvin Hasan, Bardul Dauti and Zorica Apostoloska as Ministers without Portfolio in the Government of the Republic of North Macedonia in charge of Foreign Investment.

2.5.2. Providing Foreign Investment Services in Tourism

The Agency for Promotion and Support of Tourism (APST) in the Republic of North Macedonia is an institution established by the Government of the Republic of North Macedonia. The main function of the Agency for Promotion and Support of Tourism is promoting tourism resources of the Republic of North Macedonia for foreign markets, as well as management and support of projects aimed at developing tourism in general. APST was founded in 2008 under the "Law establishing the Agency for Promotion and Support of Tourism in the Republic of North Macedonia" ("Official Gazette" No. 103/2008; 156/2010; 59/2012; 187/2013 и 41/2014).

The bodies of the Agency for Promotion and Support of Tourism are: Management Board composed of 7 members and the Council composed of 15 members. The Government of the Republic of North Macedonia gives consent to the Statute of the Agency for Promotion and Support of Tourism, the annual work programme and the annual financial plan, while the Ministry of Economy supervises the legality of the operations of the APST. The

Agency for Promotion and Support of Tourism has two sectors: promotion sector and support sector.¹⁰⁶

“The Republic of North Macedonia is a veritable treasury of culture and art, hosting numerous historical monuments throughout the country. The cultural heritage, combined with a temperate climate, beautiful landscape and unmatched hospitality, makes North Macedonia an attractive area with great tourist ambitions to become a top destination for foreign visitors.

As a continental country influenced by a Mediterranean climate, North Macedonia has great potential for the development of both summer and winter tourism. The unpolluted air, soil and water create a unique milieu for eco-tourism, placing North Macedonia on the top of offers by the world’s most popular eco-tourism operators. With over 1,000 churches and monasteries, as well as more than 4,200 archaeological sites, North Macedonia is among the leaders in cultural tourism in Europe.”¹⁰⁷

General incentives for tourism investment:

- Reducing VAT on tourism from 18% to 5%
- Attraction of foreign investors for construction of hotels & tourist facilities
- One image - one brand for Macedonia as a tourist destination
- Macedonia Timeless Campaign
- Tour Operator and airline subsidies¹⁰⁸

Tourism Development Zones Incentives

- Connection to utilities, complete infrastructure outside the boundaries of the TDZs to be provided by the Government
- Initial bidding price for the land in the TDZ is 1€/m²
- Training and job creation grants
- All incentives are in line with EU regulations

The minimal percentage of construction within the TDZs shall be subject of agreement. No VAT on construction materials and construction services.

There are four destinations for FDI in tourism sector in North Macedonia:

1- Summer Destinations:

¹⁰⁶ About us, <http://tourismmacedonia.gov.mk/about-us-2/?lang=en> (28.12.2019)

¹⁰⁷ <http://investnorthmacedonia.gov.mk/investment-opportunities/other-sectors> (28.12.2019)

¹⁰⁸ MUSTAFA Habil (2015) “Business climate and investment opportunities in Macedonia” Master presentation as Economic Promotor, Agency of Invest in North Macedonia, Microsoft Power Point format, p.45.

- Numerous tectonic, glacial and man-made lakes, 50 in total
- Large natural lakes: Ohrid, Dojran and Prespa
- Water sports, archeological, wine, eco and rural tourism
- In January- June 2015, compared to the same period last year , the number of tourists increased by 6.5 %: the number of domestic tourists decreased by 2.9 % , while that of foreign tourists increased by 11.6 %.

2 - Winter Destinations:

- Over 45 mountain peaks exceeding 2.000 m
- 70% of the territory is mountainous and many locations have more than 100 days of snow
- Opportunities for development and enhancements of hotels and spa resorts on many locations

3 - Historical and Culture Heritage:

- 4,293 archeological sites
- 992 churches and monasteries
- 23,000 icons (2nd most valuable collection in the world)
- 228 mosques, inns, Turkish baths and old bazaars,
- 47 towers and fortresses

4 - Spa tourism:

- Territory rich with geothermal waters
- More than 60 thermal springs
- Identified locations for construction of new spa centers and hotels

2.5.3. Providing Foreign Investment Services in Agriculture

The Government of North Macedonia considers agriculture a target area for future investment, growth and development, including increased FDI. Although the government provided significant financial support to farmers in the past ten years, the lack of modern

equipment and lack of investment in processing facilities remain key weaknesses of the agriculture sector.¹⁰⁹

Food exporters should focus on establishing their business relationship with a reliable and efficient importer and distributor, with access to appropriate distribution and sales channels.

Domestic production of agricultural machinery is minimal, and the market relies on imports. There are substantial opportunities for FDI in the agribusiness area for equipment that will add value to the food processing sector, such as bottling, packaging, and refining equipment. Experts have also identified problems in waste treatment and waste disposal, hygiene, and in meeting environmental standards.¹¹⁰

The Rural Development Policy contains all elements for stimulating development through modernization and structural adjustment of the agri-food sector as well as encouraging economic activities to preserve the natural, cultural and developmental values of rural areas, which are defined according to needs, the opportunities and goals of an effective and effective policy.¹¹¹

The greatest investment opportunities for FDI:

- Fruits and vegetables – production, storage distribution and processing industries (logistic centers)
- Wine production
- Sheep and goat cheese production

Agribusiness and Food Processing

- Unique combination of Continental and Sub-Mediterranean climates
- Environment friendly production practices
- Technologies for food processing
- Excellent access to regional markets

¹⁰⁹North Macedonia - Agricultural Sectors, <https://www.export.gov/article?id=North-Macedonia-Agricultural-Sectors> (29.12.2019)

¹¹⁰Министерство за Земјоделство, Шумарство И Водостопанство, Годишен Земјоделски Извештај 2017 Година – Скопје, Ministry of Agriculture, Forestry and Water Economy, Annual Agricultural Report 2017 Year – Skopje, p,6.

¹¹¹Министерство за Земјоделство, Шумарство И Водостопанство, Годишен Земјоделски Извештај 2017 Година – Скопје, Ministry of Agriculture, Forestry and Water Economy, Annual Agricultural Report 2017 Year – Skopje, p,11.

- Strong reputation for quality food products

2.5.4. Providing Foreign Investment Services in Industry

Industry has one of the most important places in the development of the Macedonian economy. The fast development of industry is one of the most important drivers of economic growth, the change in socio-economic relationships, way of living of the population, increased interest for technical progress etc.

This development of the industry and its great influence imposed the need for more complex monitoring and analysis of the industry. Since 1952 the index of industrial production has been calculated regularly in the State Statistical Office, thereby obtaining an optimal amount of data based on which we can find the answer to the questions in relation to industrial and economic development. The production volume index expresses the movements of total industrial production and is one of the basic statistical indicators for social planning and economic development, based on which the most acceptable method of economic policy management is defined.

Industry covers the following three sections; Mining and quarrying, Manufacturing and Electricity; gas, steam and air conditioning supply from the National Classification of Activities (NKD Rev 2).

According to the value added data (for 2010), the total industrial production was dominated by the following divisions: Manufacture of food products (11.67%), Electricity, gas, steam and air conditioning supply (14.64%), Manufacture of basic metals (9.34%), Manufacture of wearing apparel (10.19%), Manufacture of other non-metallic products (5.90%), Manufacture of tobacco products (4.48%) and Manufacture of beverages (6.18%).

Investment Opportunities Target Industry Sectors:

- Machine and Automotive sector:

To gain a competitive advantage in a highly uncompromising auto-motive market driven by cost-cuts, take advantage of our strategic location with its proximity to assembly plants in Central and Eastern Europe and Turkey, and duty-free access to the European market. North Macedonia is sure to be the ideal location for corporations looking to set up or

relocate their business, with its winning combination of a cost-competitive environment, educated and accessible workforce, and unbeatable incentives offered in the Free Economic Zones.

North Macedonia has had a history of auto component manufacturing. In the recent privatization process, a number of companies have been bought by overseas investors and continue to produce a range of components for cars, buses, trucks and locomotives.

Existing component manufacturers in North Macedonia supply to the European, Russian, Turkish and African markets, amongst others. Investors in North Macedonia can freely export to a market of over 650 million people. The automotive industry in these markets is particularly buoyant as global players over the last ten years have invested over €20 billion in car manufacturing in Central and Eastern Europe alone, and further investment is anticipated.

The country offers a particularly cost-competitive operating environment for auto component manufacturing. The labor force is well educated, flexible and has a strong work ethic. The educational system is willing to collaborate with incoming investors in finding ways to meet their skills needs, as demonstrated by one of the major universities training 165 students in Java and C++ in anticipation of the needs of Johnson Controls, which has constructed a \$40 million facility outside Skopje to manufacture electronic automotive components.¹¹²

Opportunities for FDI in Machine and Automotive components:

- Existing engineering and manufacturing tradition
- Legacy of skills available to new investors
- Component production started in the 1960's to supply Zastava, Serbia
- Companies primarily supply the aftermarket
- Johnson Controls, Johnson Matthey, Kemet, Teknohose, (Free Economic Zones), Kromberg & Schubert, Hi-Tech to supply OEM's, Van Hool
- Markets are Europe, Russia, Turkey, Africa, USA
- Most companies have ISO 9001 / TS 16949 quality certification

¹¹²MUSTAFA Habil (2015) "Business climate and investment opportunities in Macedonia" Master presentation as Economic Promotor, Agency of Invest in North Macedonia, Microsoft Power Point format, p.33.

- Health sector, Medical Devices and Pharmaceuticals

The Health Strategy of the Republic of North Macedonia 2020 sets out the vision for improvement of the health and of the health care system, which will be responsive to the needs of the population. The achievement of the goals, objectives and guidelines included in this strategy will be ensured by way of adopting an Action plan and by the implementation thereof. Maintenance and improvement of the health will be the main instrument for improving the health status of the population, especially of the vulnerable groups.

The effectiveness and efficiency of the overall health care delivery system will be increased. Primary health care oriented towards the individual, the family and the community, with emphasis on the preventive health care and on satisfying the majority of the health needs of the population, will continue to be the basis of the health care system in the Republic of North Macedonia.¹¹³

Health services include hospitals, medical devices, clinical research, outsourcing, telemedicine, medical tourism, health insurance and medical equipment. The northern Macedonian health sector is growing rapidly because of its scope, services and increased spending by public and private players.

Opportunities for FDI in Health sector, Medical Devices and Pharmaceuticals:

- Existing pharmaceutical industry, exports to over 30 countries worldwide
- Strong educational system, with an abundance of medical and pharmacy graduates
- Supportive regulatory environment
- Licensing arrangements in place with many of world's leading pharmaceutical companies
- Available sites at industrial and free economic zones
- Manufacturing tradition

- Textile sector:

With a long, rich tradition in clothing and textiles, this sector is the second largest export industry in North Macedonia. The competitive export advantages include short delivery periods, flexibility of delivery size together with exceptional value for money. In addition

¹¹³Republic of Macedonia Ministry of Health, Health Strategy of The Republic Of Macedonia, (2007) "2020 Safe, Efficient And Just Health Care System", Skopje, p.4.

to garments, there is manufacturing potential for cotton thread and fabric, wool yarn, fabric and knitted fabric. The country offers potential not only for new foreign direct investment, but also for outsourcing, strategic alliances and joint ventures with many local well established companies.

North Macedonia offers a cost competitive environment for textile manufacturing. With nearly half of the population under 30 years of age, companies operating out of North Macedonia can rely on an ample source of trained and qualified professionals to contribute to the growth of their business.

Labor Costs North Macedonia has a sustainable supply of young, highly skilled labor at a competitive cost. The average salary in 2018 was €580 per month across all sectors, while in textile manufacturing in December 2018 the average net salary was €386.

Investment opportunities for FDI in textile sector:

- Esteemed reputation of Macedonian textile producers on the European Union market
- High flexibility and readiness to adapt to the demands of foreign markets
- Exceptional relation between product quality and costs
- Modern equipment
- 1-2 days distance to European Union markets
- Foreign investment welcomed in the ready-made clothing and knit production industries

2.5.5. Providing Foreign Investment Services in the Field of Information and Communication Technology (ICT)

With an annual growth rate between 2.3 and 7.7 percent over the last several years, the Macedonian Information and Communication Technology (ICT) sector. The ICT sector benefits from a skilled and cost effective workforce with excellent English language skills, solid telecommunications infrastructure, and low corporate tax. ICT representatives expect the sector will continue to grow.

The total ICT market value in North Macedonia was an estimated €352 million in 2017. Hardware is the largest segment (55 percent) of the Macedonian ICT market. ICT services are the second largest segment (30 percent), and software comprises 15 percent of the ICT market.

Many large ICT companies, such as Microsoft, Cisco, Oracle, Dell, Compaq, Hewlett Packard, IBM, Sun Microsystems, Apple, and Lotus, are present in North Macedonia via branch offices, distributors, dealers, resellers, solution providers, and business partners.

The interest in software exports has been mainly spurred by four major factors.

- First, on the demand side, there is a growing trend among Western European and American companies to outsource software related tasks and activities to lower-cost destinations thereby creating substantial market opportunities for Macedonian software and IT services companies.
- Second, on the supply side, North Macedonia has significant comparative advantages, such as lower labor costs and highly skilled human capital.
- Third, like in many other transformation countries, the Government of the Republic of North Macedonia recognized the strategic importance of the software industry for the development and competitiveness of its national economy. Being a cross-cutting technology, promoting the software industry is a well-proven measure to increase productivity, efficiency and innovation as well as to facilitate industrial transformation towards a knowledge based economy.
- The fourth factor contributing to the importance of software exports for the development of the Macedonian economy is the country's limited domestic market. Thus, export becomes an issue of paramount importance for the development and growth of the software industry. For small national economies like Macedonian inward-oriented import substitution policies are no option, instead they have to refer to outward-oriented export-led growth.

Opportunities for FDI in ICT sector:

- 4-hour company registration
- Electronic fee payments for government services
- Digital certificates for employers
- Legislation fully harmonized with the EU
- Free computer application training
- Best telecommunication networks in the region – the system is 100% digital
- Leading multinational hardware and software suppliers (Microsoft, HP, IBM) have local sales and support services in Macedonia

- IT skills shortage in Western economies and growing demand for outsourcing services – *Macedonia can be your solution!*
- Availability of well-educated staff at competitive costs
- Quality assurance and standardization procedure initialized

“North Macedonia has an excellent supply of well-educated IT experts at among the lowest labor costs in the region. Some 500 IT graduates are produced annually in the Universities. A software engineer with 1 to 2 years’ experience costs from €500 to €600 net per month. The telecommunications system is first class and is regarded as the best in the region. A number of international companies such as Seavus (Sweden), Netcetera (Switzerland), M Soft (France), 6PM (UK/Malta) are successfully developing software in North Macedonia for the export market and others are providing 24/7 telephone customer support for major multi-national IT companies.”¹¹⁴



Map 2. ICT sector in North Macedonia

2.5.6. Providing Foreign Investment Services in the Field of Energy

North Macedonia relies predominantly on fossil fuels (low-grade lignite and oil) and hydropower, and is dependent on electricity imports. The total annual production of

¹¹⁴ <http://investnorthmacedonia.gov.mk/investment-opportunities/information-and-communications-technology> (29.12.2019)

electricity in 2016 was 5,303 GWh, and another 2,191 GWh was imported to satisfy the total domestic electricity demand.

The electric power generation capacity in North Macedonia consists of two thermal power plants with a total of 800 MW installed capacity, eight large and several small hydropower plants with 650 MW installed capacity. The smaller thermal power plant REK Oslomej is not currently in operation and talks about “urgent need of modernization of the obsolete equipment” have been going on for over two years.

There are two open cast lignite mines (Oslomej and Suvodol) with a total capacity of 7 million tonnes/year and estimated deposits for the next 15 years. Despite some investments in modernization, domestic production of electricity decreased by about 25 percent in the last ten years, and electricity imports have risen to 34 percent of total consumption.

The availability of lignite in the Pelagonia basin, which hosts the three Bitola power plant units, lead to the conclusion that even if two new lignite mines were opened in the region, North Macedonia would still need to start importing coal from 2025 onwards.¹¹⁵

The strategic importance of the energy sector as part of the country's total economic development should not be ignored. Due to the importation of energy, the Republic of Northern Macedonia has opened its doors to FDI in this sector and provides many advantages.

The opportunities of FDI in Energy sector:

- Government strongly committed to developing the energy sector through public and private investments
- National strategy based on diversifying the sources and types of energy use
- Focus on completing the strategy for the exploitation of renewable sources of energy (measurement of wind potential; preparation of a feasibility study)
- Study for Reliability of the Power System and Connection of Wind Power Plants
- Solar potential: the annual solar radiation is 1385 kWh/m²
- Climate characteristics - continental climate with hot and dry summers, and high intensity of solar radiation.

¹¹⁵Home, Beyond coal, The energy sector in Macedonia, <https://bankwatch.org/beyond-coal/the-energy-sector-in-macedonia> (29.12.2019)

PART III

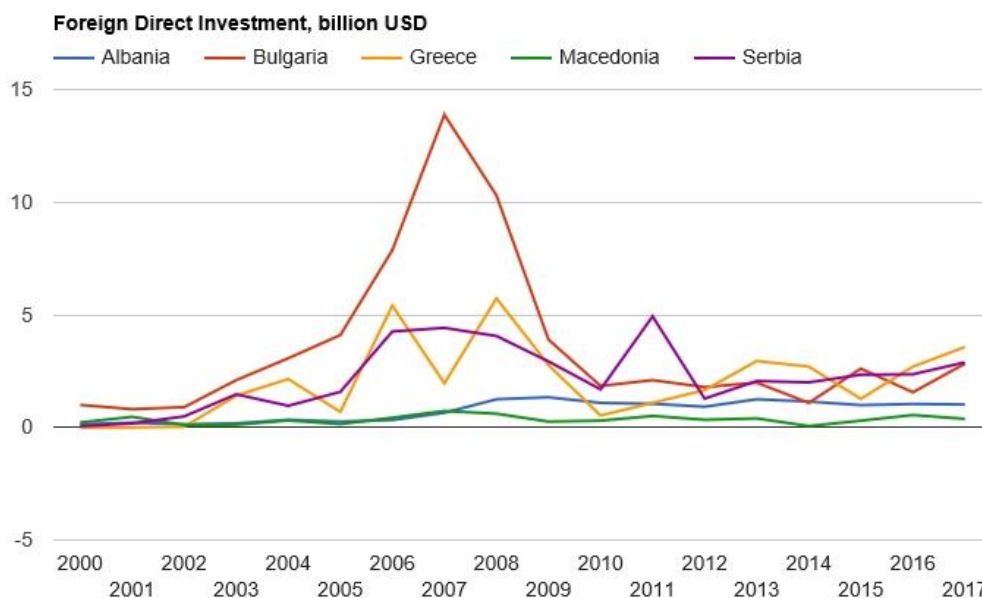
COMPARATIVE ANALYSIS OF NORTH MACEDONIA
ALBANIA, BULGARIA, GREECE AND SERBIA
IN TERMS OF FOREIGN DIRECT INVESTMENT RESULTS

The comparison structure of the countries was made using 5 countries: Albania, Bulgaria, Greece, North Macedonia and Serbia, and interactive graphs were created using indicators. The variables were taken from the world bank and global economics with information collected from international organizations and leading NGOs. Indicators were examined from 2000 to 2017.

3.1.COMPARE STOCK OF FOREIGN DIRECT INVESTMENTS

FDI refers to direct investment equity flows in the reporting economy. It is the sum of equity capital, reinvestment of earnings, and other capital. Direct investment is a category of cross-border investment associated with a resident in one economy having control or a significant degree of influence on the management of an enterprise that is resident in another economy. Ownership of 10 percent or more of the ordinary shares of voting stock is the criterion for determining the existence of a direct investment relationship. Data are in current U.S. dollars.¹¹⁶ Its shown in Figure 1 below.

¹¹⁶<https://www.theglobaleconomy.com/compare-countries/>



Source: TheGlobalEconomy.com, World Bank

Figure.1. FDI in Billion USD, (source: TheGlobalEconomy.com, WB)

Measure: billion U.S. dollars

In the comparative analysis on an annual basis that we see from above: the highest case belongs to Bulgaria in 2007 with 13.88 billion USD. Greece ranks second in 2008 with USD 5.78 billion. Serbia ranked third in 2011 with 4.93 billion USD. Albania ranked fourth with USD 1.34 billion in 2009, while North Macedonia ranked last with 0.73 billion USD in 2007.

With the total stock of FDI in these countries we have the results that Bulgaria is in the first place of list with 47.16 billion USD, Serbia is in the second place with 39.95 billion USD, Greece is in the third place with 34.18 billion USD, North Macedonia is in fourth place with 7.15 billion USD and Albania is in last place with 6.12 billion USD.

3.2.COMPARE COST OF STARTING BUSINESS INDEX

The indicator includes all official fees and fees for legal or professional services if such services are required by law. The company law, the commercial code, and specific

regulations and fee schedules are used as sources for calculating costs. Its shown in Figure 2 below. The indicator excludes bribes.

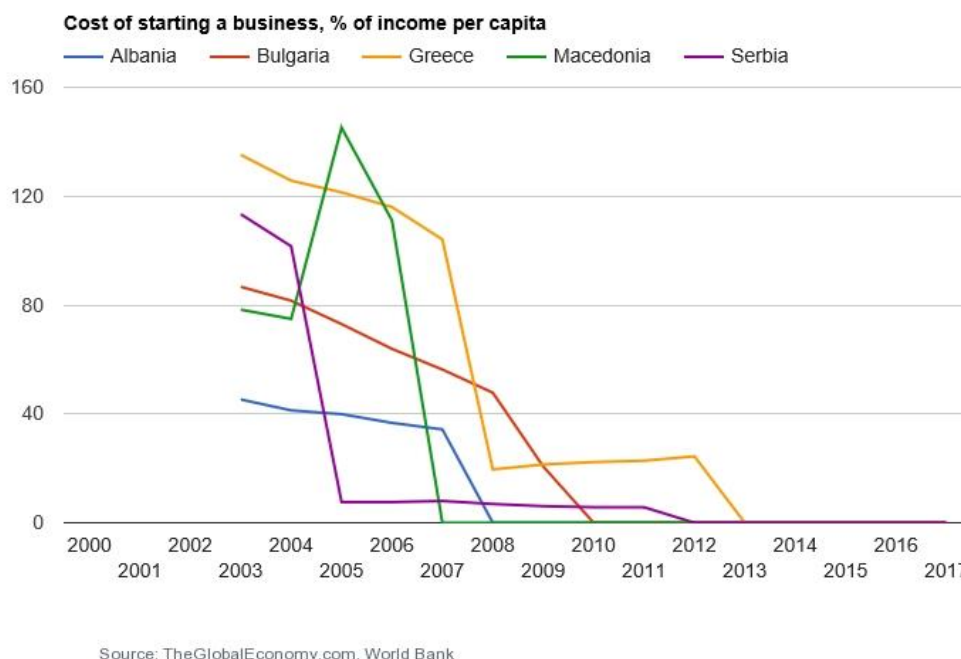


Figure 2. Cost of starting a business, % of income per capita (source: TheGlobalEconomy.com, WB)

Measure: percent of per capita GNI

Macedonia was in the worst situation in 2005 with 145% and changed its politics, then in 2007 got to the 0% for this measurement. Greece was in second worst place in 2003 with 135%, then until 2013 got to the 0% for this measurement. Serbia was in the third place in 2003 with 113% then got to the 0% in 2012. Albania was in 45% in 2003 and changed its level to 0% until 2012.

In this table we see that all of the countries changed their politics to make FDI easier. After 2013 all of the examined countries got the zero percent of per capita GNI, which changed the company law, the commercial code, and specific regulations and fee schedules. From international level these politics were needed for the liberalization their economics.

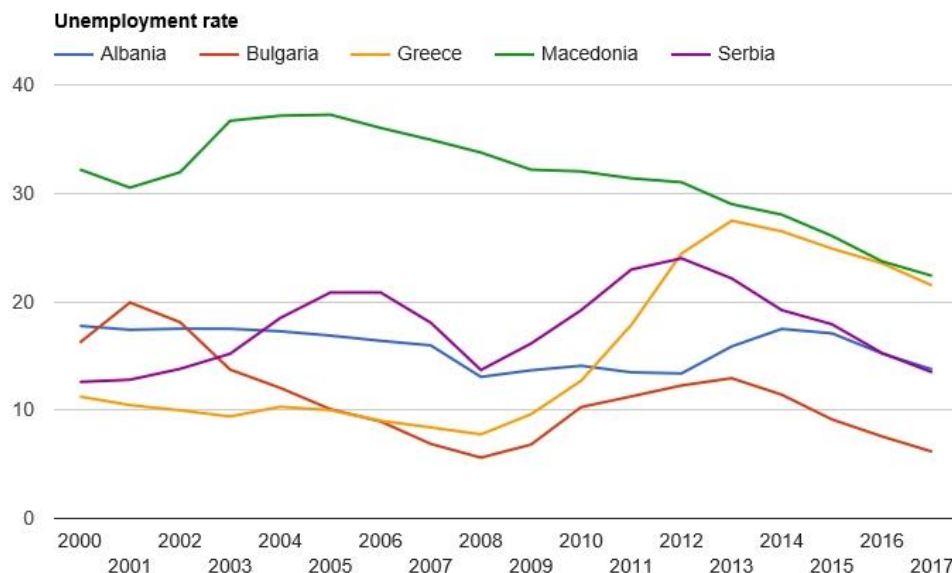
3.3.COMPARE UNEMPLOYMENT RATE

To make international comparisons easier and more understandable; Some organizations, such as the OECD, Eurostat and the International Labor Comparison Program, regulate unemployment data for comparability between countries.

Economists and governments typically focus on the unemployment rate. This corrects the normal increase in the number of persons employed due to population increases and labor increases relative to population. The unemployment rate is expressed as a percentage and is calculated as follows:

$$\text{Unemployment rate} = \frac{\text{Unemployed workers}}{\text{Total labor force}} \times 100$$

Unemployment refers to the share of the labor force that is without work but available for and seeking employment. Its shown in Figure 3 below.



Source: TheGlobalEconomy.com, World Bank

Figure 3. Unemployment rate (TheGlobalEconomy.com, WB)

Measure: percent

As seen in the figure above, the highest rate of unemployment among the base years; Northern Macedonia in 2005 was 37.25% of the country's political priority was to find jobs and generate a source of income for people, unemployment was seen as the source of the domestic problems. The unemployment problem peaked in Greece in 2013 and reached 27.47%. In 2012, Serbia faced this shortage in the third degree with 24%. Bulgaria was fourth in 2001 with 19.92% of this measurement. Albania, on the other hand, faced the unemployment problem of 17.49% of our sample in 2014 at a lower rate than other samples.

3.4.COMPARE BUSINESS FREEDOM INDEX

The business freedom index is based on 10 indicators using data from the WB's Doing Business study:

- The documents required for the start of a business procedure, these are determined by the number of required documents,
- The time period required for the start of a business procedure, which is measured by the number of days,
- The cost of starting a business procedure, which is measured by the percentage of income per capita,
- The minimum capital rate for the start of a business procedure, which is calculated as a percentage of income per capita in that country,
- Obtaining a license for a business procedure, which is measured by the number of procedures,
- The time required to license a business procedure, which is measured by the number of days,
- The cost of licensing a business procedure, which is calculated by the percentage of income per capita,
- The time period required to close a business procedure, measured by the number of years,
- The cost of closing a business procedure, which is measured by the percentage of estate,
- The recovery rate of a business procedure, which is calculated by the cents on the dollar.

The scores collected from these 10 procedures constitute the business freedom indicated in the table below. Its shown in Figure 4 below.

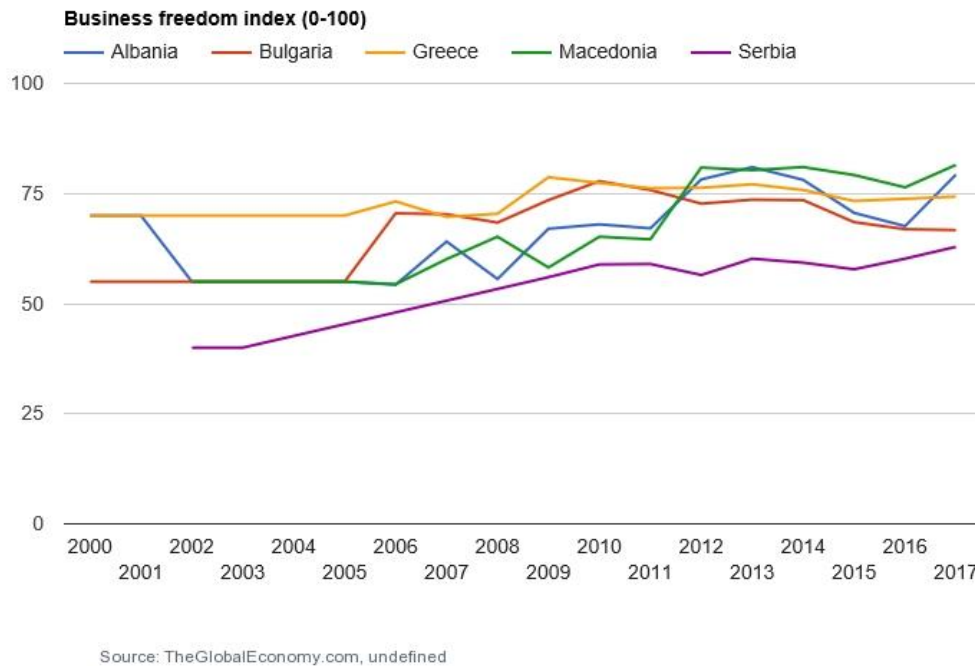


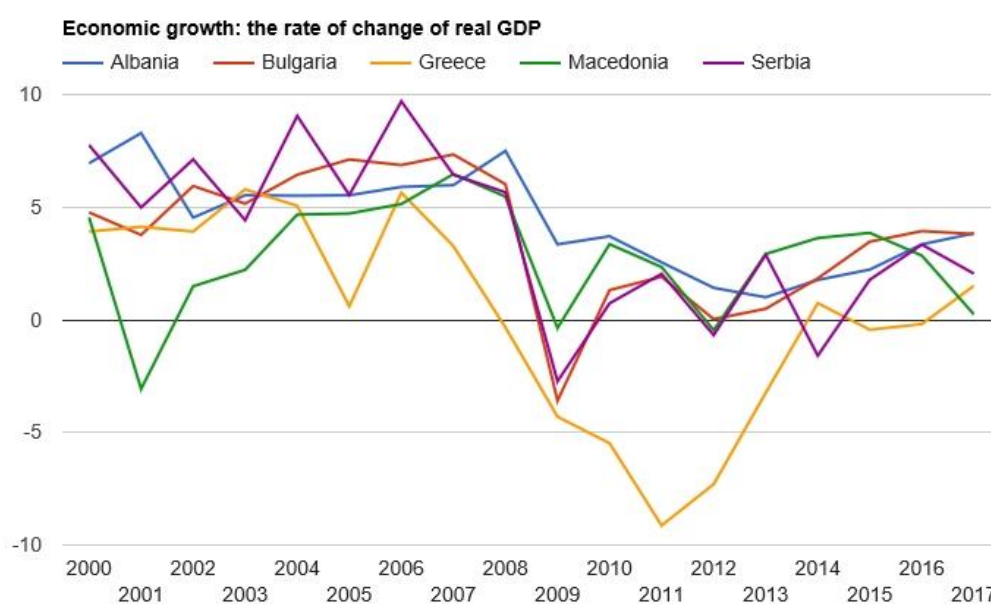
Figure 4. Business freedom index (TheGlobalEconomy.com, the Heritage Foundation)

Measure: points

In the business freedom measurements, Northern Macedonia ranked first place with 81.5 points in this sample in 2017, and the country experienced the lowest level with 55.0 points in 2002. Albania reached the second highest level of business freedoms in 2013, reaching 81.0 points; the country's lowest level was 55.0 points in 2006. Greece ranked third in our table on business freedom in 2009 with a score of 78.7 points. The country experienced its lowest level in 2000 with 70.0 points. Bulgaria is ranked fourth in our list with 77.8 points in 2010 in the concept of business freedom. The country experienced its lowest level in 2001 with 55.0 points. Serbia is ranked fifth with 62.9 points in 2017 with its best performance on business freedom. The country experienced the lowest level in 2002 with 40.0 points.

3.5.COMPARE ECONOMIC GROWT

Economic growth is annual percentage growth rate of GDP at market prices based on constant local currency. Aggregates are based on constant 2010 U.S. dollars. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Its shown in Figure 5 below.



Source: TheGlobalEconomy.com, undefined

Figure 5. Economic growth: the rate of change of real GDP (source: TheGlobalEconomy.com, WB)

Measure: percent

In Economic Growth measurements, Serbia ranked highest place with 9.7% in this case in 2006, and the country reached the lowest level of -2.73% in 2009. Albania reached the second highest economic growth level of 8.29% in 2001; the country experienced the lowest level in 2013 with -1.0%. Bulgaria ranked third in 2007 with 7.34% economic growth, the country experienced its lowest level in 2009 with -3.59%. Northern Macedonia ranked fourth in 6.47% in terms of economic growth in 2007; the country experienced its lowest level in 2001 with -3.7%. Greece ranks fifth in 2003 with 5.79%, its best

performance in economic growth. The country experienced the lowest level in 2011 with - 9.13%. Balkan countries in general saw the effects of the 2008 world economic crisis in 2009 at the point of economic growth and were affected negatively.

3.6.COMPARE TAX RATE

In the calculation of the highest corporate tax rate at the central government level, information is provided by Klynveld Peat Marwick Goerdeler - KPMG member companies. Its shown in Figure 6 below.

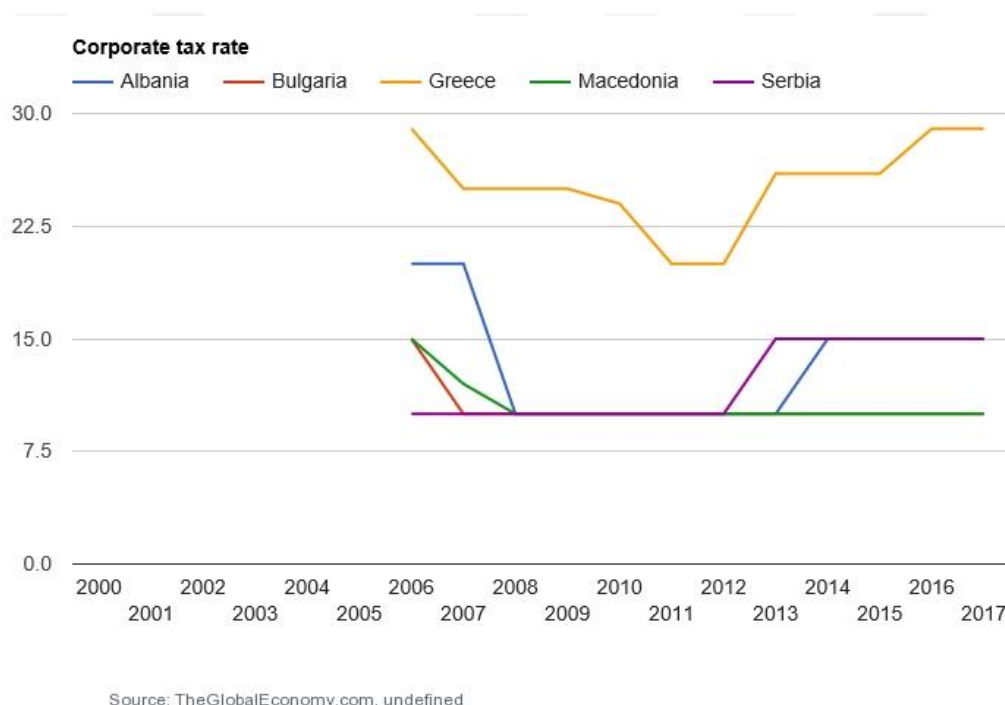


Figure 6. Corporate tax rate (source: TheGlobalEconomy.com, KPMG)

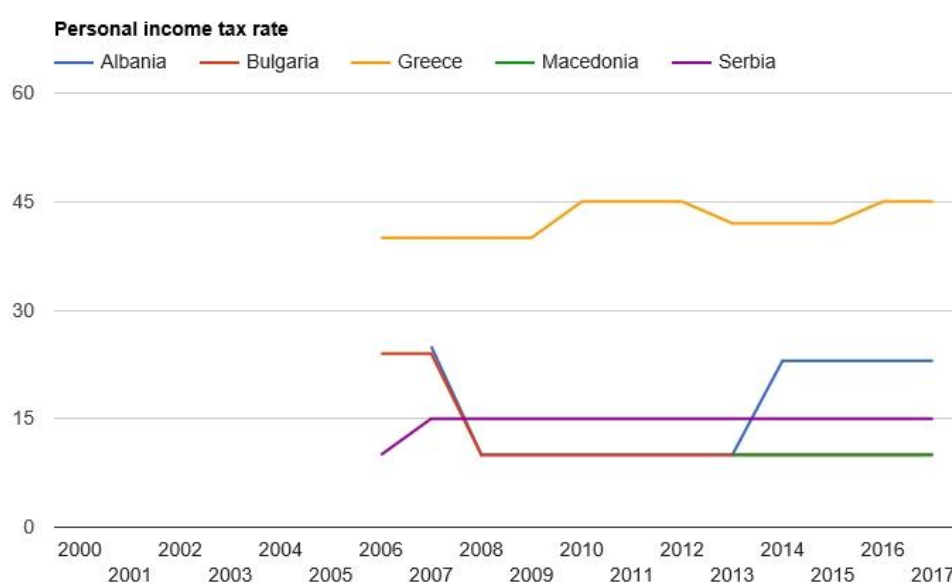
Measure; percent

When we look at the tax rates of the 5 countries we used in the comparison analysis, Northern Macedonia and Bulgaria rank first with the lowest tax rate of 10%. Bulgaria has managed to remain stable at this point by reducing the tax rate from 15% in 2006 to 10% in 2007. Northern Macedonia, on the other hand, reduced the tax rate from 15% in 2006 to 10% in 2008.

Serbia and Albania share the third place with a 15% tax rate. Serbian tax rate, which was 10% in 2006, was increased to 15% in 2013 and remained constant at this rate.

Albania, on the other hand, reduced the tax rate from 20% in 2006 to 10% in 2008 but had to increase it to 15% in 2014 due to internal dynamics.

Greece, which is in the last place, imposes a high tax rate of 29%. The country, which had a 29% tax rate in 2006, decreased to 20% in 2011 during the economic crises but returned to the 29% tax rate in 2016.



Source: TheGlobalEconomy.com, undefined

Figure 7. Personal income tax rate (source: TheGlobalEconomy.com, KPMG)

Measure; percent

The highest statutory marginal tax rate applied to the taxable income of individuals. Rates are provided by KPMG member firms.

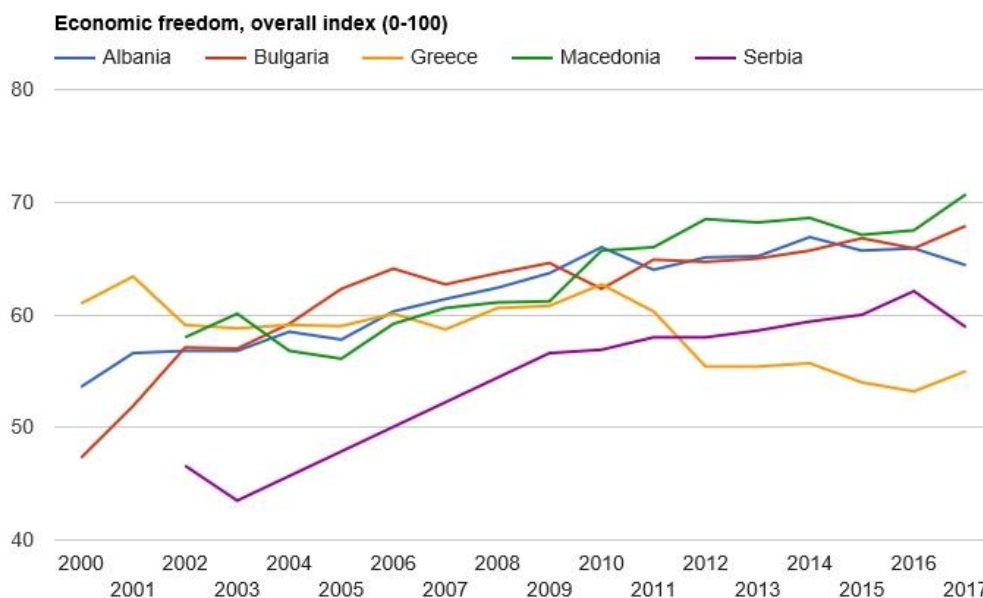
When we look at the personal income tax rate, Northern Macedonia and Bulgaria are in the first place again with the lowest tax rates of 10%. Serbia is third with 15%. Albania is fourth with 23%. Greece ranks last with a personal income tax rate of 29%.

3.7.COMPARE ECONOMIC FREEDOM INDEX

The Overall index of economic freedom has ten components grouped into four broad categories: Rule of Law; Limited Government; Regulatory Efficiency and Open Markets. The overall economic freedom is scored on a scale of 0 to 100, where 100 represents the maximum freedom.

When we look more deeply into this research subject, the Rule of Law index is calculated by measuring the perceptions of the representatives about how they trust and obey the rules of the society, and especially the quality of contractual practices, property rights, police and courts as well as crime and violence values. The Political Rights ratings of the House of Freedom evaluate three categories: the electoral process, political pluralism and participation and the functioning of the government. The limited government is dealt with from the constraints of the existing central government and the power division. It is calculated by considering how much rights and freedom of decision is given to local administrations, NGOs and institutions of other autonomous giants.

The open market has three dimensions: personal contacts, information flows and cultural proximity. The personal contacts sub-index includes international telecom traffic, tourism rating, transfers, foreign population and number of international letters. The information flows sub-index includes the number of Internet users, the share of households with a television set, and newspaper trade. The cultural proximity sub-index includes book trade and the number of restaurants and shopping centers located in a country. Its shown in Figure 8 below.



Source: TheGlobalEconomy.com, undefined

Figure 8 . Economic freedom, overall index (source: TheGlobalEconomy.com, The Heritage Foundation)

Measure: index points

In the economic freedom measurements, Northern Macedonia ranked first place with 70.7 points in this sample in 2017, and the country experienced the lowest level with 56.1 points in 2005. Bulgaria reached the second highest level of economic freedoms in 2017, reaching 67.9 points; the country's lowest level was 47.3 points in 2000. Albania ranked third in our table on economic freedom in 2014 with a score of 66.9 points. The country experienced its lowest level in 2000 with 53.2 points. Greece is ranked fourth in our list with 62.7 points in 2010 in the concept of economic freedom. The country experienced its lowest level in 2016 with 53.2 points. Serbia is ranked fifth with 62.1 points in 2016 with its best performance on economic freedom. The country experienced the lowest level in 2003 with 43.5 points. While the Balkan countries in general have a positive conjecture on economic freedoms, Greece has not succeeded.



RESULTS

As a result, we can see that FDI interacts with the economy and public administration of Northern Macedonia. There is a relationship between FDI and development of country, and this development is observable and has a positive relationship.

Although FDI has benefited from the reforms that international organizations like Committee for investments and Multinational Enterprises – CIME, General Agreement of Trade and Trade – GATT, Trade Regulated Investment Measures Committee – TRIMS, Multinational Investment and Guarantee Agency etc, have contributed to the demands and follow-up of these developments in the ongoing process, the greatest benefit has been seen by the local people. Controlling the publication times of reports and making warnings about delays has made progress in the country on transparency.

Regulatory reforms like cadastre reforms have facilitated the process of indigenous citizens and increased prosperity. Simplified procedures relieved the public of reducing the burden of bureaucratic procedures, which are the burden of the local citizen too. Liberalization of markets facilitated the marketing of domestic products and increased the supply of business.

As a result of the controls and regulations, the country was ranked 64th in the Corruption Perception index ranking. With more trade, more exports and more tourism, the country's economy has started to appreciate.

The country's major shortage of unemployment: decreased to 22.4% in 2017 which was 37.3% in 2005. The decrease in unemployment was provided by both FDI and domestic investors. However, FDI has also led to an increase in domestic investors. Subcontractor and supplier companies that supply goods to large companies were opened with the influence of FDI. Even small developments in a small country like Northern Macedonia can have big consequences. The country has reduced the burden of paying unemployment wages within itself, indirectly contributing to the country's budget.

While the budget deficit was -3.8% in 2012, it decreased to -2.7% in 2017. FDI has a

major impact on the deficit. The exportation of the productions provided great support to the economy of Northern Macedonia.

While the inflation rate was 8.3% in 2008, this rate was reduced to 1.4% in 2017. The effect of the FDI on the country's economy through the production and employment provided by the FDI has helped to lower the inflation rate.

Since its establishment of North Macedonia, the total FDI stock to Northern Macedonia until 2017 was 6.937 billion USD. After the disintegration of Yugoslavia, the deteriorating economy and declining sectors revived with the arrival of FDI. New investments in the industry started to provide modernization in the country, investments in the automotive and spare parts sector, chemical industry, pharmaceutical industry, iron and steel products mining industry, energy sector and investments in electrical energy and other renewable energy sources started to stop the country's bad course and progress towards improvement. FDI provided some kind of rehabilitation for North Macedonian economy.

With the arrival of FDI, the country signed a PPP project for the first time and started to renew the airports. The success of such projects is an important reference for the future PPP. This was one of the first steps in the transition of the Public Administration of Northern Macedonia to the New Public Management.

Required regulations: the political, economic and legal stability of the country must be ensured, and it should be remembered that FDI does not come when the country wants it, but when the necessary conditions exist than investors come. In this context, alignment with the legislation required for full membership in the European Union should be accelerated, which will ensure the stability achieved in the economic and political sphere, and the stability achieved will attract more FDI. While showing great courage by changing its name to adapt to international organizations, it should continue and become a member of the European Union. It should take all necessary steps quickly and keep itself ready for this membership.

The major problems faced by all investors operating in Macedonia are the abundance of regulatory bodies and bureaucratic problems of permits. The delay of the operations of the

existing institutions and the lost time leads to the delay of production. That means loss for the investor.

Unfortunately, the merit method is not fully implemented in the country. In this case, it should develop new policies to evaluate the personnel in its possession. Further training of the public personnel working in the country should be increased and the understanding of fast service and transparent service should be established.

It is vital for both foreign and domestic investors to make and implement the necessary arrangements to register the informal economy. Auditing and accounting system, which is regulated in international standards, should be trained to all service providers and fast service should be provided accordingly.

The rights of foreigners to work in Northern Macedonia and the acquisition of property by FDI must be reorganized and coordinated to meet the needs of the day.

When the agreements signed by Northern Macedonia regarding FDI are examined, it is understood that North Macedonia directly attracts FDI capital. The number of such international agreements is increasing day by day. These agreements constitute a trust for both incoming foreign capital and domestic capital abroad.

The Invest in North Macedonia agency is also required to re-launch the Economic Promoter program. During the promoter program, it is seen that medium-sized companies have invested in North Macedonia. Promoters in embassies attract more FDI by introducing investment opportunities in their countries. The promoter program, which is an appropriate step for the investor to learn about the possibilities and access to the information, this must be restarted.

The positive developments in the field of intellectual property rights and the protection of competition should be completed by ensuring compliance with international standards in the institutional structure and practice.

Reducing the weight of the public sector in various sectors and avoiding practices that

would hinder the functioning of the market mechanism are of great importance for the establishment of trust in Northern Macedonia.

The deduction of the tax on service costs, which implies the distribution of research and development and similar expenditures made by the headquarters of multinational companies to the affiliates using the product, is a requirement of the multilateral double taxation agreements signed by Macedonia. The necessary regulation to be made in the tax legislation on this issue is important for foreign investors.

Efforts should be made to put the free zones into operation as soon as possible. Emphasis should be placed on improving the infrastructure and superstructure opportunities and operating effectively at full capacity, especially in order to attract foreign investors and provide better services. Alignment of FDI legislation with EU norms will be encouraging for FDI.

Ensuring long-term economic and political stability and preventing informality, eliminating the delays in the submission of rights and making the legal system operational are necessary for both domestic investors and FDI to bring the investment environment to the desired conditions.

Joint ventures of FDI and domestic investors should be supported and encouraged. This will facilitate the expansion of the country's economy to the world and the integration of the country into the world.

In addition to the measures outlined above, due diligence should be exercised in the implementation of existing and revised legislation.

Privatization applications need to be accelerated in order to accelerate FDI inflows. Promotion should be made in a way that foreign investments will be directed to production areas that require advanced technology.

Land allocation for sectors that will contribute to the development of the country and increase competitiveness and especially for domestic and foreign investments in areas

requiring advanced technology; additional incentives such as tax breaks in the initial period and creation of conditions similar to those applied in free zones should be utilized.





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AUTOBIOGRAPHY

Personal Information

Surname, Name : Saliji Gjulnear
Nationality : North Macedonia
Birth day and place : 07.03.1984 - Gostivar
Marital status : Married
Telephone :0038970761827
e-mail :gulneharsa@gmail.com



Education

Degree	Training unit	Degree
Master's degree	Haci Bayram Veli University	Public Administration
License	Uludag University	Graduate of Economy
High School	Yahya Kemal College	Science High School

Work experience

YearPlacePosition

2006 – 2009	Bursa – Turkey	Journalist in Local Newspapers
2009 – 2010	Skopje – North Macedonia	Director of Sante Plus Hospitals
2010 – 2011	Skopje – North Macedonia	Advisor in government
2011– 2019	Gostivar –North Macedonia	Advisor in the Ministry of Interior

Foreign language

English, Macedonian, Turkish, Albanian, Serbian

Hobbies

Swimming, skiing, traveling, watching movie, reading book.



