

FINANCIAL AND BUDGETARY PROVISIONS

1. Which departments are responsible for levying import duties (customs duties and agricultural duties) and possible other charges levied on goods entering your country?

For each relevant department, please give details of:

- a) The general organisation set-up (central departments and external services);**
- b) Collecting, accounting and control procedures.**

Based on the Customs Law declaration ("Official Gazette of the Republic of Macedonia" No. 23/03 and 69/04), the Government of the Republic of Macedonia, at the latest until November 30 in the current year, makes a decision for the customs declaration for the following year.

The customs rates are suggested by the Ministry of Agriculture, Forestry and Water Economy (Chapter 1 to 24 from the Customs Declaration) and for the remaining goods, the Ministry of Economy is in charge.

a) General Organization

The general organization of the Customs Administration is regulated by the Customs Administration Law, ("Official Gazette of the RM" no. 46/04) and the internal organization in the Book of rules for the organization and operations of the Customs administration.

The Customs Administration represents a body within the state administration included in the Ministry of Finance, being a legal entity.

The Customs Administration implements its responsibilities on the entire territory of the Republic of Macedonia, located in Skopje.

The scope of work of the Customs Administration is carried out through:

The Main administration which coordinates and manages the customs responsibilities on the entire territory of the Republic of Macedonia;

The customs offices are established depending on the scope and the structure of the turnover of goods and passenger's traffic abroad;

The Main administration consists of 3 independent Sectors, which are: Service for custom administrative and misdemeanour procedure, Sector for cooperation with the Director and the Custom Coordination Unit (CCU), 6 Sectors, included in which are 18 Units and 17 Services.

As regional units, there are 5 established customs offices with total of 5 services, 39 customs branch offices, and included in the branch offices are total of 12 sections.

The biggest number of customs branch offices and customs sections are established at the border for passenger crossing, railway and air transportation, and the rest are internal customs branch offices and sections for implementing the import and export paying of duty.

The total number of jobs anticipated by the Book of rules for the systematization of jobs within the customs administration amounts to 997, out of which 360 jobs in the Main administration and 637 in the Customs offices.

Out of the total number of anticipated jobs, 884 have been assigned.

The last undertaken reforms in the organizational structure of the Customs Administration is the Sector for Professional Responsibility, which according to the resources and the trainings, performs everyday internal controls over all implemented functions in the main administration and the regional units, for the purpose of control over implementing laws, prescribed procedures, responsibilities and operation tasks. In this manner, prevention, establishing and eliminating bad behaviour is performed, as well as fraud, losses, abuse and incorrect management in the organizational forms within the

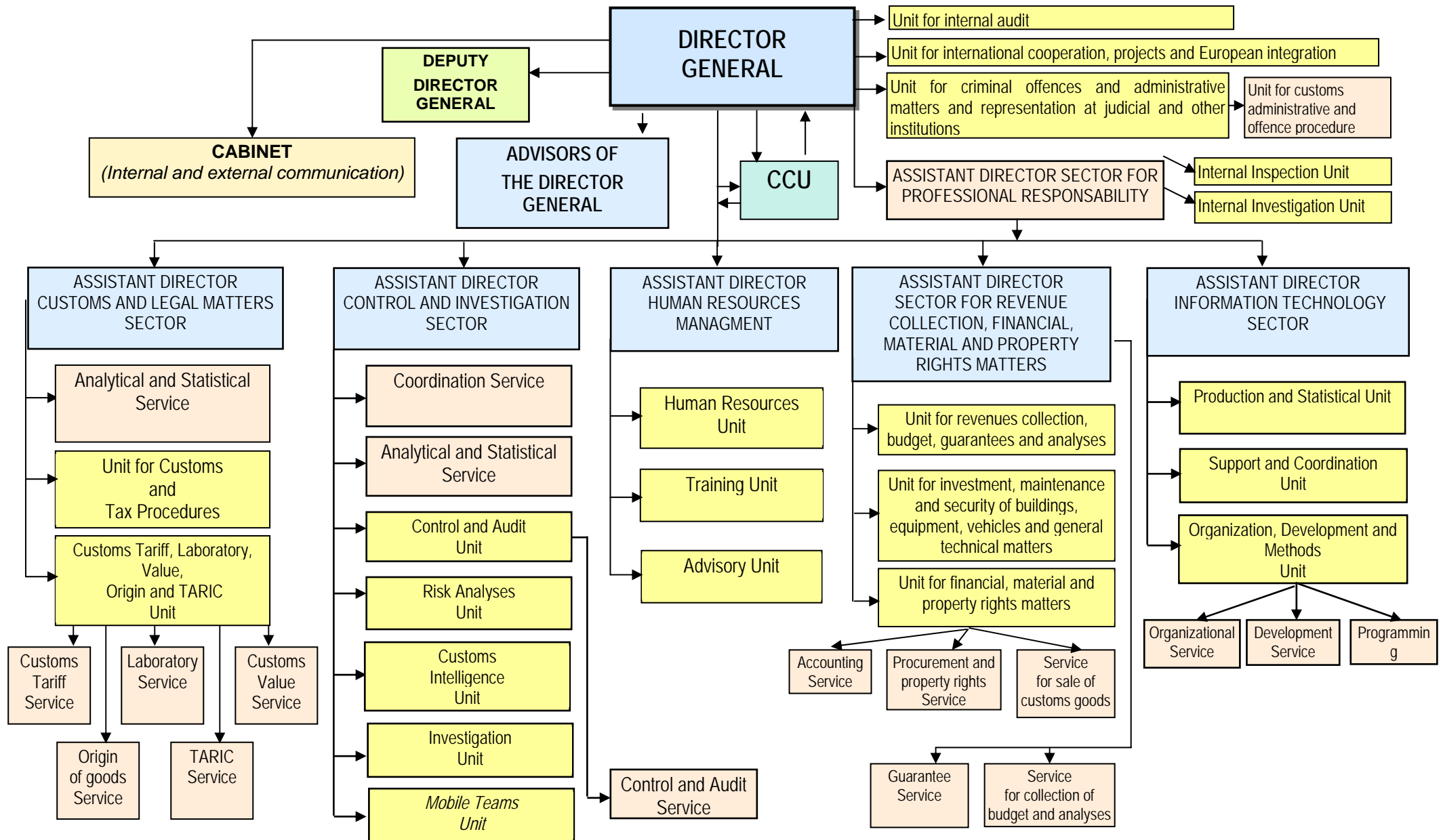
customs service. They are processed in accordance with the Labour Relations Law, ("Official Gazette of the RM" No. 80/03, consolidated version), the Customs Administration Law, ("Official Gazette of the RM" No. 46/04), the Law on Public Officials, (Official Gazette of the RM" No. 59/00,112/00,34/01,103/01,43/02,98/02, 17/03, 40/03, 85/03, 17/04, 69/04) and the Collective Agreement for employment relations within the Customs Administration, after which disciplinary measure are undertaken.

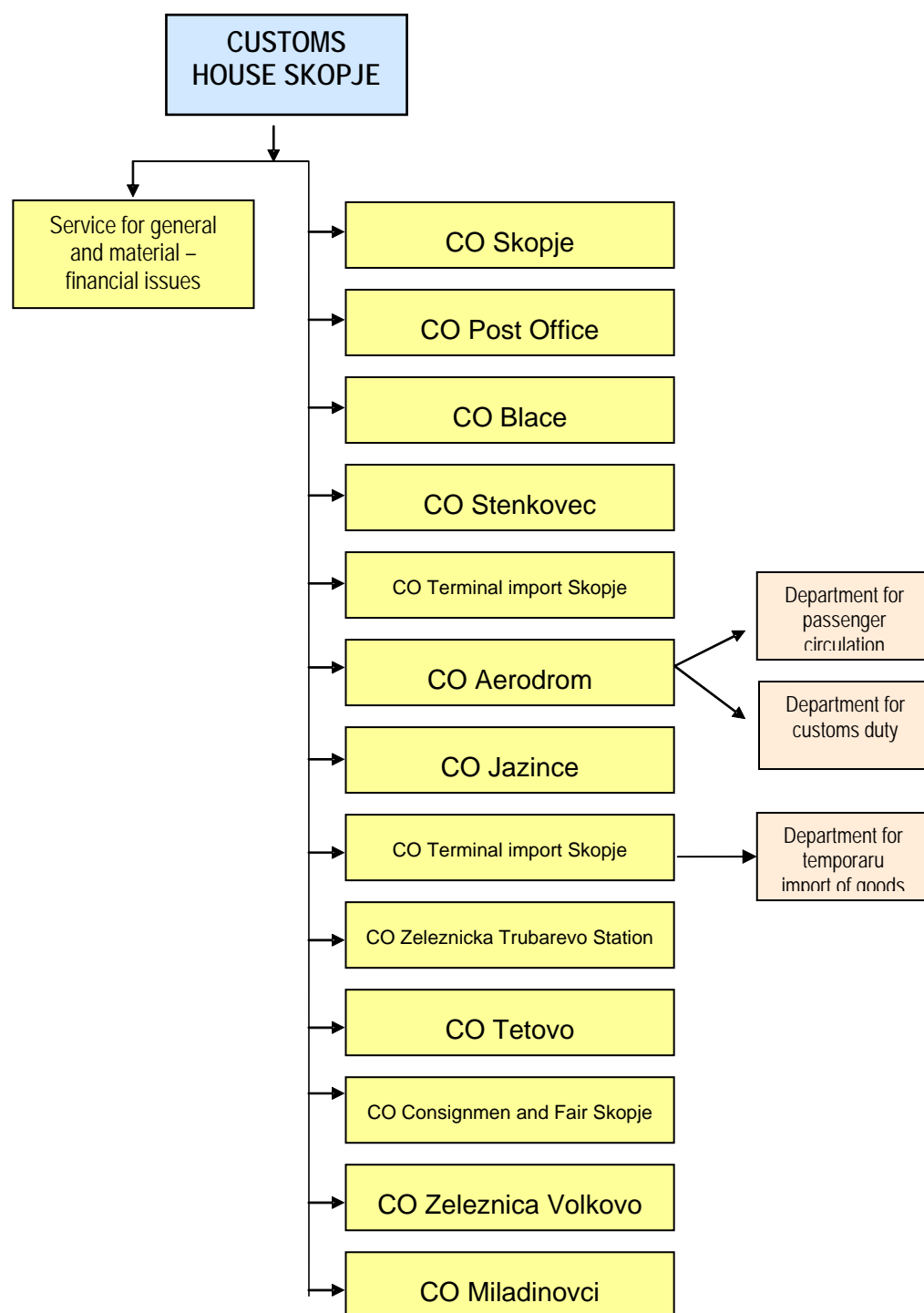
A Sector for Human Resource Management is established as a new function with clearly defined goals, role and responsibility related to the operational strategy, five - year and operation plan. In cooperation with the Customs and fiscal assistance office - CAFAO MAK, as well as other external assistance, based on the new Customs Administration Law, bylaws have been prepared, by which new systems will be implemented, compatible with the EU standards in the part of the employment, evaluation and management of work performance, carrier development, termination of employment, retiring, salaries and incentive system, as well as work conditions.

A new function is also established through the Unit for Internal Audit, hierarchically established under the Director of the Customs Administration, which will plan, organize and implement the audits in accordance with the legal regulations, the international standards for internal audit and implemented audit policies of the Ministry of Finance, in accordance with the requests from the Mission of the World Bank for improving the Programme for Structural Adjustment Loan (PSAL) and Public Sector Management Adaptation Loan (PSMAL).

The following chart illustrates the structure of the central administration and one of the Customs offices – Customs Office Skopje.

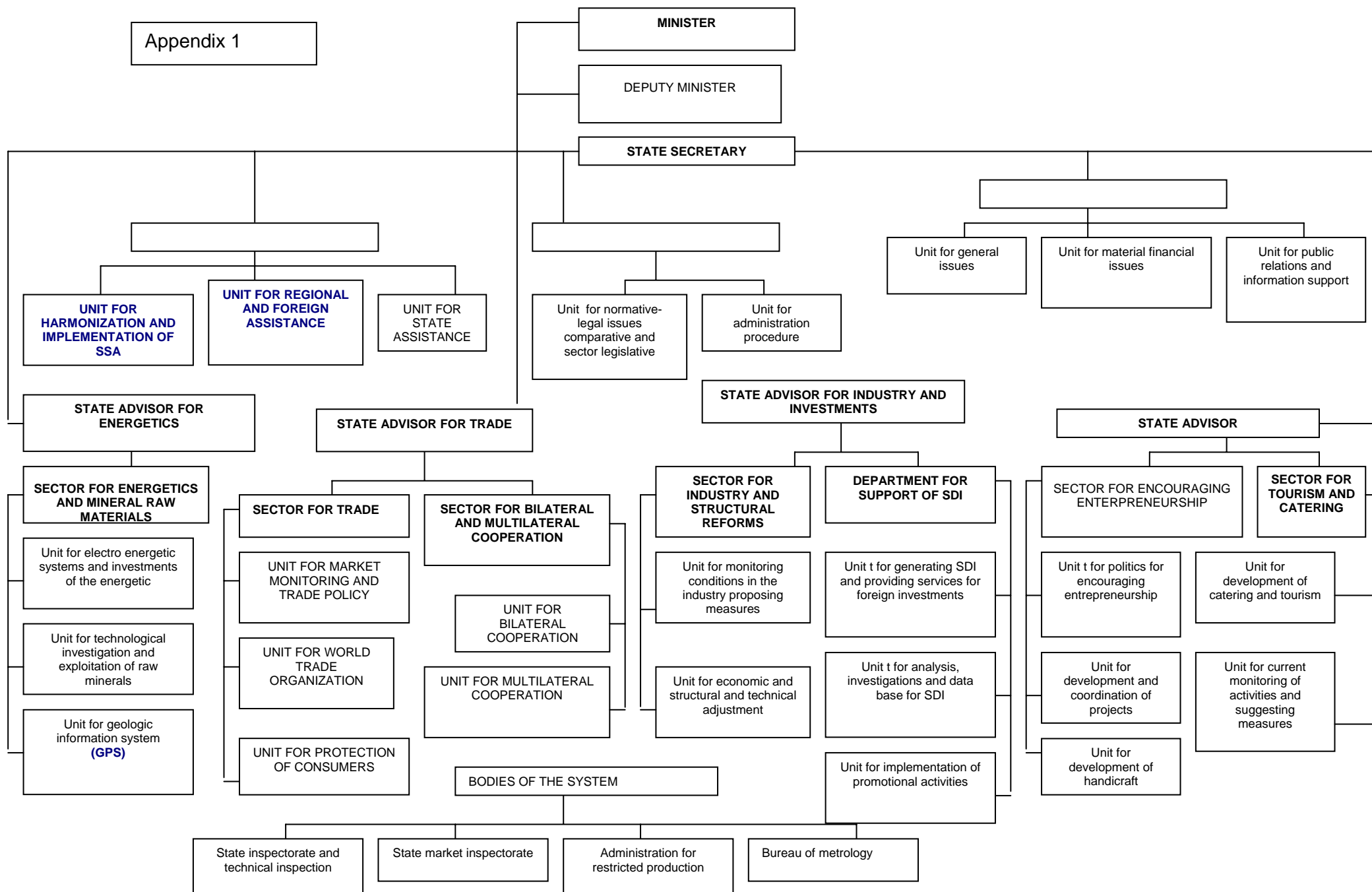
ORGANISATIONAL STRUCTURE OF THE CUSTOMS ADMINISTRATION



ORGANISATIONAL STRUCTURE ON CUSTOMS HOUSE SKOPJE

The organization structure of the Ministry of Economy is regulated by the of Rulebook for organization and operation of the Ministry of Economy, as of 03.09.2004, in accordance with Article 55 Item 1, and Article 58 of the Law on organization and operation of the bodies of the state administration ("Official Gazette of the Republic of Macedonia" No. 58/2000 and 44/2002). This Rulebook regulates the internal organization, the number and type of organization construction of the Ministry and the bodies included within, their scope of operations, managing the organization construction and the manner of operations of the Ministry.

The number and type of the organization construction are determined and grouped according to the character of the operations and the tasks within the responsibility regulated by law. Included in these regulations, within the Ministry of Economy, there are 10 sectors established. There are 5 bodies included, such as the Monopoly Administration, Administration for Restricted Production, State Market Inspectorate, State Inspectorate for Technical Inspection and Bureau for Metrology.



The General Organization of the Ministry of Agriculture, Forestry and Water Supply is regulated by the Law on organization and operation of the administration bodies ("Official Gazette of the Republic of Macedonia" 59/00) and the manuals, organization and systematization of the Ministry of Agriculture, Forestry and Water Supply.

The Ministry is managed by a Minister, Deputy Minister, State Secretary and State Advisors.

Included in the Ministry are the following bodies and organizational units:

1. Included bodies:

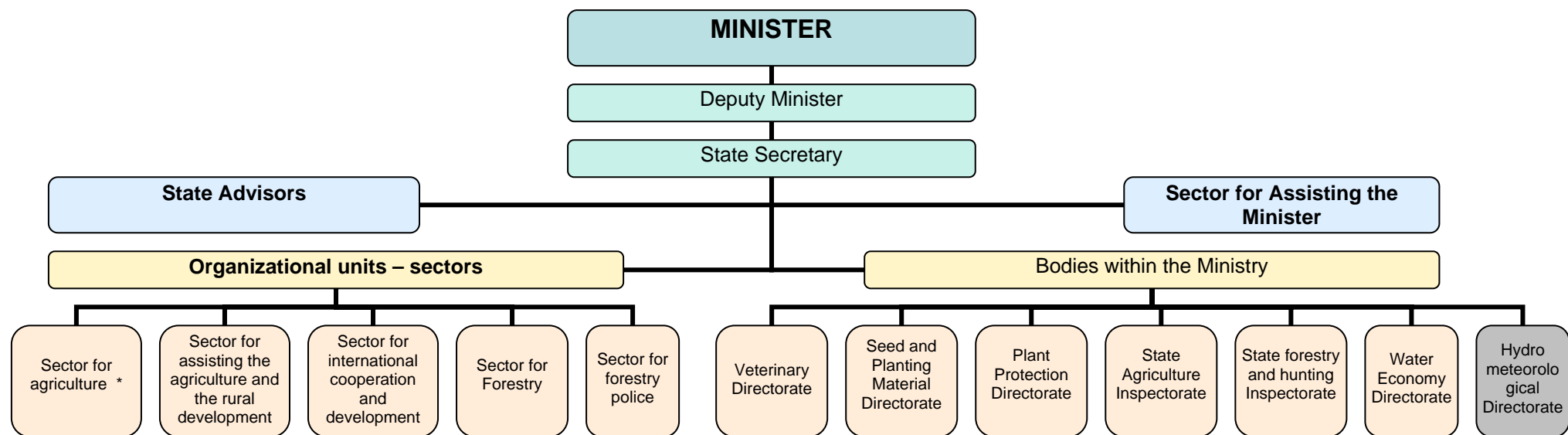
- i) Veterinary Directorate with:
 - Unit for health prevention of animals;
 - Unit for veterinary drugs;
 - Unit for marking and recording of animals;
 - Unit for public health;
 - Unit for state veterinary inspection;
 - Border veterinary inspectors;
 - Executors in the section units.
- ii) Water Economy Directorate with:
 - o Sector for administration procedure and water supply inspection
 - Unit for providing opinions, agreements, licenses and concessions;
 - Unit for water supply inspection.
 - o Sector for maintaining and improving the water regime
 - Unit for use of waters and water supply items
 - Unit for protection from water harmful effects
 - Unit for international cooperation and development.
 - o Sector for water supply bases
 - Unit for data base;
 - Unit for GIS
- iii) Seed and Planting Material Directorate with:
 - Unit for control of plant seed;
 - Unit for acknowledgement, approval and protection of kinds
- iv) Plant Protection Directorate with:
 - Executors in section units.
- v) State Agricultural Inspectorate with:
 - Unit for agriculture;
 - Unit for protection of plants;
 - Executors in section units.
- vi) State forestry and hunting Inspectorate with:
 - Unit for forestry inspection;
 - Unit for hunting inspection;
 - Executors in the section units.
- vii) Hydro meteorological Directorate.

2. Organizational units:

- i) Sector for Agriculture with:
 - Unit for fruit growing, vineyard and wine production;
 - Unit for farming and gardening;
 - Unit for cattle breeding;
 - Unit for land policy;
 - Unit for monitoring and recording of registered farmers;
 - Section units within the Ministry of Agriculture, Forestry and Water Supply – 33.
- ii) Forestry Sector with:
 - Unit for arranging and use of the forests;
 - Unit for afforesting and growing of the forests;
 - Unit for hunting;
 - Unit for recording, information and correspondence;
 - Executors in section units.
- iii) Sectors in the forestry police with:
 - Forestry police in 19 municipalities.
- vi) Sector for international cooperation and development with:
 - Unit for European integration and World Trade Organization and other programs;
 - Unit for coordination of foreign assistance.
- v) Sector for assisting the Minister with:
 - Unit for normative legal issues;
 - Unit for assistance.

For performing the tasks that are the responsibility of the Ministry of Agriculture, Forestry and Water Supply, there are total of 400 executors engaged.

Currently, a new Act of systematization is under process of preparation.

**Ministry of Agriculture, Forestry
and Water Economy**

* With section units

b) Procedures for collection, accounting and control

The emergence of customs debt is regulated by the Customs Law, ("Official Gazette of the RM" No. 21/98, 26/98, 63/98, 86/99, 25/00, 109/00, 31/01, 04/02, 55/02, 42/03), Articles 164-171.

- general regulations for the customs debt,
- customs debt occurred in the process of illegally importing goods,
- customs debt occurring in the process of illegal disposal of goods under customs supervision,
- customs debts as a result of unsettled liabilities,
- customs debt as a result of improper use or use of goods in free zones,
- liability for payments of export duties,
- manner of determining the amount of customs debt.

The calculation and payment of the debt is regulated by Article 173 of the Customs Law, i.e. the customs debt is calculated based on the customs declaration (ECD).

The calculation of the customs debt is controlled by the service for controlling and auditing within the Customs Administration.

In case when the control and audit disclose irregularities in determining the amount of calculated taxes or an illegal action with the customs goods is revealed, an additional calculation of the customs debt is performed, Article 175 from the Customs Law, ("Official Gazette of the RM" No. 21/98, 26/98, 63/98, 86/99, 25/00, 109/00, 31/01, 04/02, 55/02, 42/03)

Provided the customs debt is not paid by the customs taxpayer and the debt is secured by customs guarantee, it is collected from the customs guarantee itself. In case when the customs debt is not secured by a guarantee, the debt is forcefully collected by a decision from the Customs Administration and violation procedure, Article 176 of the Customs Law, ("Official Gazette of the RM" No. 21/98, 26/98, 63/98, 86/99, 25/00, 109/00, 31/01, 04/02, 55/02, 42/03) and the Law on Payment Operations, ("Official Gazette of the RM" No. 32/01, 50/01, 52/01, 103/01, 37/02, 41/02, 61/02, 42/03), Articles 16 and 17.

2. Are there separate accounts to distinguish recovered debts and outstanding debts?

The accounting of uncollected revenues from the customs procedure is carried out in accordance with the Law on Accountancy of the Budgets and the Budgetary Beneficiaries (Official Gazette of the RM No. 61/02 and 98/02).

With the appearance of every new participant in the customs procedures, an analytical and sub-analytical recording is automatically initiated, for his/her balance of debts and payments of customs procedures, meaning that accruals of collected and uncollected debts is performed.

3. What was the revenue from import duties for the year 2003 (or, if available, 2004)? Please provide a breakdown of the total yield by your country's imports originating from the Union's current Member States (EU-25), Romania, Bulgaria and Croatia, and the rest of the world.

The import taxes for 2003 and 2004, as well as the allocation of total revenues realized by the import from the EU countries (EU-25), Bulgaria, Romania and Croatia are shown in the tables attached, see [29 Annex 01](#) and [29 Annex 02](#).

4. Are National Accounts and the compilation of GNP/GNI (Gross National Product/Income) produced in accordance with the definitions and accounting rules of the European System of Integrated Economic Accounts 95 (ESA 95)? If not, please give details of the system currently applied.

Current situation

The State Statistical Office started implementing the System of National Accounts - SNA 93 and the European System of Accounts ESA 95 in 1993. The first results of calculating the annual gross domestic product at current prices for the period 1990-1993 were made and released in 1995. Data conversion method was applied in the calculation of the annual gross domestic product, where data are converted to categories defined by the Methodology of National Accounts. When the gross domestic product was calculated by production method at constant prices for the period 1990-1994, the method of single extrapolation was applied.

For the first time, annual gross domestic product calculation by production method for 1994 and 1995 was produced according to definitions and recommendations of SNA93 and ESA 95.

The gross domestic product calculations were made by using the production and expenditure methods as independent methods. Independent gross domestic product calculation by income method is not performed, though the calculation is based on the same data source as the production method.

In 1994, activities were initiated for the purpose of improving the calculations of GDP in order to achieve more detailed national accounts and including the non-observed economy.

The annual gross domestic product calculation methodology by expenditure method was fully implemented in 1996 as a result of the participation of the Republic of Macedonia in the project called European Comparison Programme (ECP) 1996. The implementation was coordinated by the Central Statistical Office of Austria. In the frame of this Project, the calculation of expenditure aggregates of the gross domestic product according to the Purchasing Power Parity was also prepared. Comparison was made of data obtained by the production and expenditure methods as two independent calculations and data for the period 1994-1996 were revised. Thus, both sides of the GDP were balanced and adjusted.

When in 1998 the National Classification of Activities was applied, a change was also made to the classification in calculations of the gross domestic product by production method at constant prices. On the basis of detailed analysis of current values of the gross domestic product, price indices and volume indices, methodological improvements in the calculations were made in 1998.

To enable better international comparison of data, during 2000 the State Statistical Office performed a revision of GDP data, for the period 1997-2002.

Following the recommendations of SNA 93 and ESA 95, in 2002 the State Statistical Office raised to the level of National Standard, the Standard classification of institutional sectors grouped by type of production and by principal activity and functions which are taken as indicators of economic behaviour. The classification is broken down to five sectors and their sub sectors.

Further EU harmonisation measures

- Improve the methodology for calculation of the production for own final use;
- Introduce business structural statistics for the needs of national accounts;
- Allocate FISIM by institutional sector, calculate import and export of FISIM and calculate FISIM at constant prices;
- Use data obtained from the Pilot project for improving the agro-monetary statistics, in particular from the subproject for economic accounts in agriculture;
- Improve the methodology for calculating net consumption by non-residents;
- Introduce the methodology for monitoring the government financial policy by applying functional classification COFOG;
- Improve the method of adaptation from cash to accrual accounting in the Government Sector;
- Apply international standards to annual financial reports of state owned enterprises.

5. Are National Accounts adjusted to cover the non-observed economy? What is the impact of these adjustments on the level of GNP/GNI?

The State Statistical Office initiates activities in relation to adopting the methodological solutions for the purpose of complete calculation of the gross-national product. For that purpose, the State Statistical Office was also included in the Pilot Project of Eurostat "Coverage of National Accounts", in which 11 countries candidates for membership in the EU participated, as well as the Republic of Macedonia. Included in this Project, based on mutual definitions and based on the mutual consultations with experts from Eurostat, detailed analyses were performed for the statistical identification of production activities outside the appropriate standard statistical researches (informal economy), where every country takes into consideration the specifics of its economic and the statistical system. During the calculations of the gross-national product, certain modifications of two types informal economy were made:

- Economic coverage (underestimated - unreal disclosure of the financial results)
- Informal sector (unregistered employees, unreal disclosure of the financial results)

The estimation regarding the completeness of GNP is performed in the legal entities within the Sector for non-financial companies and Household Sector.

The percentage of participation in the informal economy in the GNP on the level of the total economy is approximately 14%.

The presented data should be understood only as a statistical approach in measuring the production activities which are not followed in the standard statistical researches and questionnaires and should not be compared with the standard term – gray economy.

Currently, the activities for identification of the informal economy are in process, in accordance with the "Rulebook for measuring the informal economy" from OECD as an obligation for the State Statistical Office of the Republic of Macedonia within the scope of the Project for informal economy for the countries of the Western Balkans, which started in 2004 under the organization of Eurostat and OECD.

6. Which Ministry and departments will have overall responsibility for financial and budgetary issues in your country?

The Ministry of Finance is responsible for preparation, execution and control over the budget, as well as the preparation of the legislative in the field of: budgeting, external – financial operations (agreements and arrangements with international finance institutions), banking, financial markets and other financial issues. Within the Ministry of Finance, the following Sectors are directly related to the financial and budget issues:

1. Sector for budget and funds;
2. Sector for treasury operations;
3. Sector for tax and customs policy;
4. Sector for international finance;
5. Sector for microeconomic policy and regulation of the financial system;
6. Sector for central and internal audit;
7. Financial police;
8. Directorate for preventing money laundering;
9. Sector for legal and administrative issues;
10. Sector for the system of public procurement;
11. State foreign currency inspectorate; and
12. Sector for capital management.

Besides the Ministry of Finance, the responsibility for the financial and budget issues is also considered for all financial departments and sectors within the frame of the remaining bodies of the state administration.