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1 Executive Summary

In the last decade the Republic of Macedonia has carried out a series of parametric reforms in the pension system, as well as a fundamental reform with the establishment of two parallel types of pension schemes: PAYG and funded component. This pension system structure leads to a balanced pension system in the long term. However, the new conditions that have arisen in the wake of the economic crisis, such as the high unemployment rate and rigid labour market, require from the policy makers to continue with additional reforms in order to ensure income and improve sustainability of the pension system.

After the consequences the pension system suffered from the financial and economic crisis, 2011 was poor in expert analysis or debates, especially by the government as pension policy maker. Neither the main stakeholders nor the experts found it necessary to react to the need of extending working lives/increasing retirement age as an inevitable solution which is effective long term. No Green or White Papers, important programmatic publications, programmes on substantial changes or measures were produced in the reporting period.

However, with the consolidation programmes of the national budget in 2010, the authorities continued to increase transfers from the central budget for the payout of pension benefits, as a short-term intervention. In order to keep regular pension benefit payouts, on several occasions money was transferred from the central budget, which in total exceeded the amount prescribed by law. Therefore, it could be said that this demonstrated some inadequate reorientation of the pension policy towards increased injections from the central budget, aimed at consolidating the current deficit, which has been increasing in the last years. By the end of 2010, the policy makers had recognised that the accelerated decrease of social contributions in times of economic and financial crisis caused deficits in the state pension funds. The same policy will continue in 2012 and 2013 as well, which has been confirmed with the December 2011 amendments to the Law on Contributions for Mandatory Social Insurance, which stipulates that the same contribution rate be maintained, at 18%.

An important accomplishment for 2011 in the field of pension legislation is the adoption of the Law on Payout of Pensions and Pensions Benefits from the Fully Funded Pension Insurance. It regulates the allowed types of pensions that will be paid out from the second/mandatory and the third/voluntary fully funded pension funds (such as: annuities, programmed withdrawals, and third pillar only lump-sum payouts). From a legislative point of view, this new law represents the last stage of the structural pension reforms within the multi-pillar pension system of the Republic of Macedonia.

The policy makers did not provide for the full independence of the regulator of the fully funded pension component, so, this challenge remains to be overcome in the period that follows. In order to have a higher level of independence and to eliminate the political factors that influence the independence of MAPAS (Agency for Supervision of Fully Funded Pension Insurance), there is a need for further changes and reforms, so that the managing bodies of MAPAS can be appointed by a body which is independent from the government, namely the Parliament of the Republic of Macedonia.

The Macedonian health system is based on solidarity and organised through central revenue collection by the national health insurance. Centralised pull collection of revenues provides the possibility of adequate distribution of public health funds as per structured expenditure schemes. Universal health coverage, as introduced in 2009, includes unemployed and insured citizens, financially covered from the state budget. Recent changes (2009) in terms of decreasing revenues for health insurance as percentage of gross wage now show some financial implications on the total budget of the national health insurance, which deteriorated the

insufficient financial pool of the national health insurance fund. As a consequence, this decrease was stopped in 2011.

Public health institutions show even geographical distribution, but financial shortages and low capacity of management. An emerging and growing private sector represents competition disloyal to public services, attracting patients with competitive technology, but also attracting the medical professionals with better conditions for work.

Several investment policies have been introduced by the Ministry of Health aimed at refurbishment and partial reconstruction of health facilities, provision of equipment and, therefore, improving working conditions in public health institutions (PHI). Moreover, some additional supportive measures regarding achieving high professional standards for medical professionals and improved quality of health services have been undertaken, which have not given the expected results. It is probable that the capacities of PHI are inadequate for the current health needs of the population; poor management capacities and the burden of a huge administrative apparatus are still awaiting restructuring and downsizing. Any new health policy changes and strategic goals should include the introduction of supplementary/voluntary insurance, increased revenue collection and improvement or readjustment of system performance.

Long-term care is in its initiation. The recognition for the need of structured, well-organised and multi-sector approach for implementing long-term care has to be appreciated. Recent recognised needs in policy patterns and strategy commitments of the Ministry of Labour and Social Welfare present a solid basis for future development. However, much needs to be improved, restructured and coordinated/correlated regarding the gap between systematic linkage of health and social services provision.

2 Current Status, Reforms and the Political and Scientific Discourse during the previous Year (2011 until February 2012)

2.1 Overarching developments

In the last two decades, the Republic of Macedonia has been going through a transition towards market economy, and in this period, the payment of minimum wages to workers was established only in collective agreements and not in the law. 2011 was marked by the preparing of the Minimum Wage Law, which was adopted and implemented in January 2012. This law is a definite step forward and it means progress for the economic and social sectors, as it warrants a guaranteed minimum amount of wage for workers. The lowest wage that an employer is obligated to pay, for a full-time working day, is 39.6% of the average gross wage paid in the previous year. For 2012, the monthly minimum wage is MKD 8,060, or approximately EUR 130. Should an employer pay a wage under the required minimum, he is to be fined with between EUR 6,000 and EUR 7,000. The Labour Inspectorate within the Ministry of Labour and Social Policy is in charge of controlling that minimum wages are paid out. [1]

Compared to 2010, the reporting period experienced a mild increase in labour related data. According to the data of the State Statistical Office for the third quarter of 2011, published in the Labour Force Survey in 2011, the labour force in the Republic of Macedonia totalled 942,395 persons, out of which 648,557 or 68.8% were employed, and 293,778 or 31.2% were

[1] Minimum Wage Law, published in the Official Gazette No. 11 of 24 January 2012, retrieved from: http://www.mtsp.gov.mk/WBStorage/Files/Zakon_minimalna.pdf.

unemployed persons. The activity rate in this period was 56.9%; the employment rate was 39.1%.[2]

According to the last data for 2010, published in 2011, the percentage of poor people in the Republic of Macedonia was 30.9%. Analysed by profiles, in 2010, the most vulnerable groups were multi-member households, bearing in mind the fact that 47.3% of the poor people live in households with 5 and more members (2009 – 53.7%). The poverty rate for the unemployed is 41.8%, i.e. 44.8% of all poor people are unemployed.[3] This data demonstrates that the social sector, or rather the labour market, which was affected by the crisis, is recovering slowly and will take more time to heal.

According to the State Statistical Office data, the Consumer Price Index in December 2011, measured by prices of goods and services for personal consumption, was 102.8 in comparison with December 2010.[4] The Consumer Price Index is used as an indicator for measuring the inflation and, according to the National Bank's projections, for 2011 the inflation rate is 3.9%[5] and for 2012 it is projected to be 2.0%. In practice, the inflation rate in 2011 was below the projections, as follows: the highest inflation rate of 1.7% was measured in March 2011, and the lowest in July 2011 with -0.8% and December with 0.1%.[6] The National Bank's projections for GDP growth were set at 3.5%[7], while in practice there were big fluctuations, where the growth of GDP in the first quarter of the year was 5.3%, while in the third it was 2.3%.[8]

In order to handle the high unemployment and poverty rates and to improve the social sector's picture, the Ministry of Labour and Social Policy passed several strategic documents, as well as operational programmes for the implementation of national strategies, in 2011. Some of the more important ones are: National Strategy on Alleviation of Poverty and Social Exclusion in the Republic of Macedonia (2010-2020), National Employment Strategy 2015, Operational Plan on active employment measures and programmes, etc.[9]

In January 2011, the IMF's Executive Board approved a Precautionary Credit Line of EUR 475.6 million for the country. After that, the Republic of Macedonia signed an agreement with the International Monetary Fund for a loan approved for effective handling of the consequences of the financial and economic crisis.[10] The availability of these funds, if necessary, will provide for significant insurance from negative influences and will provide for maintaining the stability of the economy. This bailout agreement is general/comprehensive and does not include any conditionality with regards to the pension system.

With regards to the national debates on the future developments of pension systems, we could stress the International Conference on Pension Reforms and Future Challenges, which took place in April 2011 in Skopje and was sponsored by the World Bank SPIL Project. Besides the

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2 State Statistical Office, News Release: Labour market, published on 30 December 2011, retrieved from: http://www.stat.gov.mk/PrikaziSoopstenie.aspx?id=98&rbr=606.

3 State Statistical Office, News Release: Living standard, published on 11 July 2011, retrieved from: http://www.stat.gov.mk/PrikaziSoopstenie.aspx?rbrtxt=37.

4 State Statistical Office, News Release: Consumer Price, published on 9 January 2012, retrieved from: http://www.stat.gov.mk/pdf/2012/4.1.12.03.pdf.

5 Central Bank of the Republic of Macedonia: Chart, retrieved from: http://www.nbrm.mk/.

6 State Statistical Office: Chart, published on 9 January 2012, retrieved from: http://www.stat.gov.mk/.

7 Central Bank of the Republic of Macedonia, retrieved from: http://www.nbrm.mk/default.asp?ItemID=08E764754FB3BA409100442CEC26DD0F&sRes=1.

8 State Statistical Office, News Release: GDP, published on 22 December 2011, retrieved from: http://www.stat.gov.mk/PrikaziSoopstenie.aspx?rbrtxt=31.

9 Ministry of Labour and Social policy: Documents, retrieved from: http://www.mtsp.gov.mk/?ItemID=BD66FCC3A7FBCB47AB9150CBFECD2C96.

10 Law on Debt of the Republic of Macedonia with the IMF through a Precautionary Credit Line, published in the Official Gazette No. 17 of 11 February 2010.

issue of the risks from the demographic and economic movements, especially after the last financial crisis, the conference paid due attention to future challenges related to the Macedonian pension system. The shared international experience on the re-evaluation of previous reform measures for specific pension segments, even complete reorientation of pension policy, should be a good input for the Macedonian policy makers to guide their future actions and to persist with the reformatory adjustments of the pension system.[11]

In terms of health care and future reforms of the health care sector, the government increased investments in health, care mainly through provision of medical equipment and refurbishment of major public health care institutions. In light of future reform steps, the Governmental Programme for Health Care (2012-2015) envisages specific achievements in improving health care standards, especially for service provision. Additional investments in health care are planned, with emphasis on strengthening the public health care sector.

2.2 Pensions

2.2.1 The system's characteristics and reforms

Brief description of the main system's characteristics

In order to provide for a long-term financial sustainability of the system, in terms of adequate pensions and equal social security for the current as well as for the future generations of pensioners, the Macedonian pension system has undergone a process of thorough fundamental reforms in the last 17 years.

Structure of the current status in the organisation of the pension system

The pension system can be described as a multi-pillar system with a balanced mix of pension pillars: public (pay-as-you-go) type of scheme, private mandatory funded component (individual accounts) and voluntary funded component (personal/occupational). The reformed pension system is mainly designed for young employees and employees who have worked only for a few years before entering the two-pillar pension system. For older employees and employees with many years of service, there were strong reasons to remain in the mono-pillar system, given that in the new system, they would have less time to accumulate assets on their accounts before retirement.

In January 2006, the reformed mandatory "mixed pillars" system became operational with the first contribution payments into the individual accounts and the start of their investment. The third pillar was implemented in April 2009.

Financing the system

Contributions are the main source of financing of the mandatory component of the pension system. In the mandatory pension system, solely employers pay the contributions. Since 2009, there has been a gradual reduction of the contribution rate, from 21.2% to 19% of the gross wage. The contribution rate in 2010 and 2011 was 18% and for 2012/2013 it will be 18%, too. In 2014 the rate is planned to be reduced to 17.5% and after 2015 it will stay at 17.6%.[12]

The revenues of the Pension and Disability Insurance Funds consist of wages, contributions, transfers from the central budget (for pensions acquired under favourable conditions, covering deficits and transitional costs, and minimum agriculture and military pensions), from the

[11] International Conference on Pension Reforms and Future Challenges, 12 April 2011, Skopje, retrieved from: http://www.mtsp.gov.mk/?ItemID=FB79BA05971E2E4B920032135EE3104A.

[12] Amendments to the Law on Contributions for Mandatory Social Insurance, published in the Official Gazette No.185, of 30 December 2011.

private sector, revenues from individual farmers, excise taxes, transfers from the Agency for Employment, dividends from selling of securities and others.

Eligibility criteria and pension formula

The retirement conditions are equally valid for all insured persons in the mandatory pension system (first and second pillars): retirement age of 64 years for men, 62 years for women with a minimum of 15 working years, except in the case of disability or death.

In terms of the retirement conditions, the Republic of Macedonia has a gender pension gap, due to the different retirement ages for men and for women.

Pension benefits from the voluntary pension scheme cannot be withdrawn earlier than 10 years before legal retirement age prescribed for the mandatory system (54 years of age for men, 52 years of age for women), except in the case of disability or death.

The right to receive pension benefits from the PAYG system depends on the pension formula: the total number of all working/contributory years as a percentage (replacement rate) of the individual earnings. This means that the first pillar pension will be calculated based on the individual salaries of the entire career, valorised as per the average salary in the year preceding the year of retirement.

Only for the beneficiaries from the first pillar, the replacement rate is 80%, which in 40 years will be reduced to 72%. In addition, for the future employees/pensioners who participate in both pillars, the replacement rate from the first pillar as a part of the multi-pillar pension system will be reduced to 30%. The rest of the pension benefit will be paid from the second pillar. In the Defined Contribution (DC) scheme, the amount of benefits depends on asset accumulation on the individual accounts, from contributions and investment performance in the accumulation phase.

Taxation and indexation

The Macedonian laws stipulate Exempt-Exempt-Taxed (EET) tax treatment for the mandatory and voluntary fully funded pension system. This means that the pension contribution and the investment income are tax-exempted, whereas the payment of pension benefits is taxed. In order to encourage more people to bring their savings to the third pillar, there are tax alleviations for the sponsors/insurers that organise occupational schemes for their employees or for those who pay individually on their accounts. So they are exempted from personal income tax for the paid contributions in the voluntary pension funds. On the other hand, in order to limit the possibility for eventual misuse of these tax incentives, there are maximum amounts of monthly payments, limited to four monthly average salaries in the previous year, to which the tax alleviation and refund are calculated.

In terms of the indexation formula, for the pension benefits from the first pillar is composed of 50% of the living costs index, and 50% of the change of the average net wage paid in the Republic of Macedonia (the Swiss Formula). The reconciliation is done twice a year (January/June) by adding the percentages of the living costs index to the movements of the average wage of all employees in the previous semester.

Benefits

Benefits which can be received from the PAYG pension scheme derive from the entitlement to an old-age pension, disability pension, survivor's pension, minimum pension, etc. Pension benefits from the second pillar provide one part of the old-age pension and are paid out in a form chosen by the member. The possibilities are a lifetime pension annuity from the entire amount of assets accumulated on the member's individual account or programmed withdrawals

provided by the pension company managing the pension fund on the day of retirement. Withdrawing pensions prior to retirement age is not allowed, except in the cases of disability or death. In case the sum of PAYG and fully-funded pension benefit is lower than the minimum pension, the PAYG fund pays the additional amount up to a minimum pension.

The benefits paid from the voluntary pension scheme are paid in a similar way to the pension payments from the fully funded mandatory scheme. The only difference is that the voluntary pension scheme members can decide to withdraw accumulated assets from the third-pillar individual accounts as a lump sum, which is not allowed in the mandatory system.

In the case of disability or death of a member, assets from the individual account are transferred to the Pension and Disability Insurance Fund (PDIF), which is authorised to pay out disability and survivor pension benefits. If there are no beneficiaries for a survivor pension, the assets from the individual account can be inherited by the inheritors of the deceased member.

Performance of the fully funded pension system

The most important data on the performance of the mandatory and voluntary pension funds are: The accumulated assets in the mandatory pension funds at the end of 2010 reached more than EUR 200 million or 2.94% of GDP. Furthermore, the structure of the investment portfolio consisted of 54% government securities, 32% bank deposits, 3% domestic shares and 11% investments abroad. The average annual return for 2008-2010 was approximately 3.3%, and for the five-year period of existence of the pension funds, the average annual return is approximately 5%. In 2010, the voluntary pension funds reached a 5.5% annual return and the investment policy had a very similar approach to the one of the mandatory pension funds. Almost 80% of all members in the voluntary pension funds are members in the occupational schemes, while the remainder of 20% have individual accounts.[13] Below are demonstrated excerpts from the presentation:

Table 1: Return of mandatory pension funds

Period	NLBm	KBPm
31.12.2007 - 31.12.2010	2.67%	3.97%
Start -31.12.2010	4.57%	5.32%

Source: Agency for Supervision of Fully Funded Pension Insurance
http://www.mapas.gov.mk/index.php/nastani/2011-04-20-11-20-57/95-nastani/2011-08-22-09-18-32/196-pres-konferencija.

Table 2: Return of voluntary pension funds

Period	NLBv	KBPv
31.12.2009 - 31.12.2010	4.40%	6.67%
Start -31.12.2010	5.13%	6.70%

Source: Agency for Supervision of Fully Funded Pension Insurance
http://www.mapas.gov.mk/index.php/nastani/2011-04-20-11-20-57/95-nastani/2011-08-22-09-18-32/196-pres-konferencija.

[13] Agency for Supervision of Fully Funded Pension Insurance http://www.mapas.gov.mk/index.php/nastani/2011-04-20-11-20-57/95-nastani/2011-08-22-09-18-32/196-pres-konferencija.

Changes/reforms in the pension system in the reporting period

Legal reforms

In 2011 and in January of 2012, the policy makers and the authorities did not exert any significant legal reforms in the pension system, be it as a short/medium response to the economic and financial crisis or amendments to the related laws for re-orientation of the system to providing long-term sustainability. More precisely, the national reforms can be identified as limited with some activities, which are as follows:

-Legal intervention in terms of increased pension contributions. The reduced incomes of the State Pension Fund, due to decreased contribution rates and the high unemployment rate, made it necessary to digress from the current policy of accelerated decreasing of the contribution rate. By the end of 2009 and in 2010, the policy makers recognised that the accelerated decrease of the social contributions in times of economic and financial crisis had caused deficits in the social funds. In December 2010, the Law on Contributions for Mandatory Social Insurance was amended, prescribing a lower decrease of the contribution rate for 2011, from the planned 15% to 18%.[14] The same policy will continue in 2012 and 2013, whereby the same contribution rate is maintained at 18%, as confirmed with the December 2011 amendments to the Law on Contributions for Mandatory Social Insurance. Further on, these amendments foresee that in 2014 the rate will be 17.5%, while the long-term implementation of the systemic solution (planned in 2009, for the contribution rate to be decreased and maintained at 15%) will be postponed until 2015, but starting with a contribution rate of 17.6%.[15]

- **New Law on Payout of Pensions and Pension Benefits from the Fully Funded Pension System.**[16] The law was prepared and submitted to the Parliament in 2011, and adopted in January 2012. In the current Law on Mandatory Fully Funded Pension System, the Article 93 already defines the legal framework for payout of pensions and pension benefits from the fully funded pension component. This new law, from a legislative point of view, represents the last stage of the structural pension reforms within the multi-pillar pension system in the Republic of Macedonia. This new legal framework regulates in detail the allowed types of pensions (annuities, programmed withdrawals, and lump-sum payouts for the third pillar only) that will be paid out from the second/mandatory and the third/voluntary fully funded pension insurance. The law also includes the involved institutions through which the pensions will be paid out, the manner of payout, the payout procedures, etc.

Consolidation programmes

In 2011, with the consolidation programmes of the national budget in the reporting period, the authorities continue to **transfer significant amounts from the central budget for the payout of pension benefits**. In order to keep regular pension benefit payouts, the central budget transferred amounts of money on several occasions, which, in total, were more than the amount prescribed by law. The consolidation of the central budget, which in 2010 reached 34.3% (2009: 33.7%, in 2008: 27.1%),[17] demonstrates the re-orientation of the pension policy towards increased injections from the central budget, aimed at alleviating the current deficit.

[14] Amendments to the Law on Contributions for Mandatory Social Insurance, published in the Official Gazette December 2010.

[15] Amendments to the Law on Contributions for Mandatory Social Insurance, published in the Official Gazette No.185, of 30 December 2011.

[16] Law on Payout of Pensions and Pension Benefits from the Fully Funded Pension System, published in the Official Gazette No.11, of 24 January 2012.

[17] Reports on the working of the Macedonian Pension and Disability Fund for 2008, 2009 and 2010, published on the website: http://www.piom.com.mk/.

In the same period, financial assistance from the IPA funds was provided for technical support aimed at capacity building of MAPAS (Agency for Supervision of Fully Funded Pension Insurance).[18] Additionally, or rather in combination with this foreign aid, as assistance to support to the Agency for Supervision of Fully Funded Pension Insurance, it is projected that from the Budget of the Republic of Macedonia the following funds will be allocated: MKD 28,379,000 for 2011 and MKD 27,008,000 for 2012. In this case, it is not a technical support aimed at consolidation; however, it is worth noting as it is a financial assistance from the IPA funds.

The Stabilisation and Association Process (SAP), for the Western Balkan countries on the road to the European Union, which includes the Republic of Macedonia, requires a long-term commitment to the region both in terms of political effort and financial and human resources. In this context, the EU and EU-funds bring a more strategic approach to the financial assistance focus, increasingly on support for developing government institutions and legislation, and approximation with European norms and eventually harmonisation with EU acquis (EU law). Reforms and institution-building are necessary to implement the obligations in the Stabilisation and Association Agreements.[19]

2.2.2 Debates and political discourse

In the reporting period, there was a lack of Green/White Papers generated, as policy documents on substantial changes or eventual reorientation of the pension system. Also, programmes on the reform and important publications of the government and the main stakeholders, were pretty scant in this period and limited to the regular annual reports on the system's developments, some legislative projects, expert articles or press conferences and interviews with the media. Maybe this anaemic condition is a consequence of the elections in 2011 and the establishment of the newly elected government and parliament.

Even back in 2009, with the passing of the Law on Contributions from the Mandatory Social Insurance, and the announced reduction of rates, the experts emphasised that these measures will lead to reduction of incomes and increase of the pension system's deficit. So, in 2011, there were discussions in the media about the possible consequences this government's policy might have. In the daily newspaper "Dnevnik"[20], for example, Zorica Apostolska, a pension expert, expressed her concern regarding the sustainability of the pension system and the ability to keep up with the regular payout of pensions. In the same article, the former Minister of Labour and Social Policy, Ljupco Meskov, criticised the reduction of the contribution rate and stated that the government, in order to keep up the regular payment of pensions, should continually withdraw money from the budget, until such moment when this will become a burden that is impossible to bear.[21] A similar position was uttered by Dragan Tevdovski, PhD, in his research as part of the publication "Decent Job in the Republic of Macedonia" for the Institute for Social Democracy "Progres". To be precise, in his analysis of the operations of the social funds he confirms the continuous increase of the deficit and the rising demand for financial intervention from the central budget. Thus, he sees the increase of transfers from the budget to the State Pension Fund, from 27.1% in 2008 to 33.7% in 2009, as a direct result of

[18] Government of the Republic of Macedonia-Secretariat for European Affairs, web page: http://www.sep.gov.mk/content/Dokumenti/EN/Annex%204%20%20Overview%20of%20the%20ongoing%20and%20planned%20foreign%20assistance%20for%20the%20period%202009-2011.pdf.

[19] Stabilisation and Association Agreements, retrieved from: http://ec.europa.eu/enlargement/enlargement_process/accession_process/how_does_a_country_join_the_esp/history_en.htm.

[20] Dnevnik, daily news paper, page 6, 20 October 2011.

[21] Dnevnik, daily news paper, page 6, 20 October 2011.

the government's decision to decrease the contribution rate.[22] It is obvious that, in the reporting period, this issue was very much present in the governmental, expert and media structures. It was also subject to remarks in the final auditor's report from the annual 2010 audit of the State Pension Fund, performed by the State Audit Office. The State Audit Office comments that the fall of the fund's revenues is a consequence of the decreased contribution rate in a period of economic crisis and increased unemployment rate. The auditor concludes that in 2010, there has been an increase of loans from the state budget and, therefore, the deficit for that year reached 34%, whereas in 2001 it was 23.6%.[23]

The above-mentioned developments have had their effect on the pension system, which was enhanced by the impact of the financial and economic crisis. However, on national level, there is a lack of expert analysis or debate on the part of the government, main stakeholders or some experts on extending the working lives/increasing retirement age as a solution that is worth considering under such circumstances. Only few media outlets touched this issue. For example, in June 2011, the journalist Viktorija Milanovska from the daily newspaper "Kapital", published an article titled "government: there shall be no increase in the retirement age".[24] The article included a statement from the Minister of Labour and Social Policy, Spiro Ristovski: "In the past period we have heard a lot of speculations on the retirement age, but the government does not consider changing any of the retirement criteria." In relation to the retirement age policy, the journalist compares some European countries that have already introduced changes and a gradual increase of the retirement age. One of the examples includes "Germany, which foresees gradual increase of the retirement age from 65 to 67 in the period from 2012 to 2018. Great Britain plans to increase the retirement age to 66 by 2016, and to raise the retirement age to 70 within a few decades. The Netherlands have announced an increase of the retirement age from 63 to 65 by 2012, Spain also forecasts an increase from 65 to 67." In October 2011, in the daily newspaper "Dnevnik", the journalist Aleksandra Filipovska[25] elaborated on the subject of increasing the retirement age by presenting comments from pension experts. Thus, the former Minister of Labour and Social Policy and former Director of the State Pension Fund, Ljupco Meskov stated that: "The most efficient measure for the pension system's sustainability would be the increase of the retirement age, as considered by many European countries. It would give the best effects for the current condition of the economy, but at the same time it is the most unpopular measure to be passed by any government." In the same article, from the interview with Mr. Zoran Stavreski, Minister of Finance, the journalist concludes that, despite the experts' recommendations, the government of the Republic of Macedonia does not consider raising the retirement age.

When it comes to determining the age limit as a retirement condition, it is important that the policy makers take into consideration the life expectancy at birth and at retirement.

[22] Dragan Tevdovski, Decent Job in the Republic of Macedonia, Institute for Social Democracy "Progres", sponsored by Friedrich Ebert Stiftung, Skopje, November 2011, http://www.dzr.gov.mk/Uploads/2010_Fond_PIOM.pdf, www.progres.org.mk.

[23] Final Auditor's Report, 26-119/6, State Audit Office, published on 30 October 2011 http://www.dzr.gov.mk/Uploads/2010_Fond_PIOM.pdf.

[24] Kapital, daily news paper, article: The Government: There shall be no increase in the retirement age, published on 8 June 2011.

[25] Dnevnik, daily news paper, page 6, 20 October 2011, a.filipovska@dnevnik.com.mk

Table 3: Expected lifespan

Year	Total fertility rate	Life expectancy			
		Upon birth		Upon retirement	
		Women	Men	Women	Men
2004	1.5	74.1	69.8	20.3	14.8
2010	1.6	75.3	70.8	18.6	14.7
2020	1.7	76.5	71.9	18.6	14.6
2030	1.8	77.1	72.4	19.0	15.0
2040	1.9	78.8	74.0	20.3	15.9
2050	2.0	80.0	75.0	21.2	16.6
2060	2.0	80.0	75.0	21.2	16.6
2070	2.0	80.0	75.0	21.2	16.6
2080	2.0	80.0	75.0	21.2	16.6
2090	2.0	80.0	75.0	21.2	16.6
2100	2.0	80.0	75.0	21.2	16.6

Source: Ministry of Labour and Social Policy, National Strategy for Alleviation of Poverty and Social Exclusion in the Republic of Macedonia, for 2010-2020, page 14, retrieved from: http://www.mtsp.gov.mk/?ItemID=BD66FCC3A7FBCB47AB9150CBFECD2C96.

According to the figures, the life expectancy for the following 100 years will rise slightly, by around four years for men and around five years for women. According to the projections, the difference between men and women will remain at four or five years in favour of the increased longevity of women. In order to see the effect of these demographics on the pension system, it is necessary to make forecasts on the life expectancy upon retirement. The data above demonstrates that women will be beneficiaries of the pension system longer than men.

It is essential to have a parallel analysis of the length of time of being a beneficiary in the pension system versus the years of professional career, i.e. the years of active participation on the labour market. From today's perspective, and if the longevity as life expectancy is taken into account, this situation will generate low pensions in the future.

The official statistical data on the third quarter of 2011, the total unemployment rate was 31.2%, which, compared to the unemployment rate in 2010, is one percentage point lower. Lacking a published Labour Force Survey for 2011, the Labour Force Survey for 2010, published in November 2011, was used to illustrate the unemployment rates per gender. The unemployment rate for women was 32.8% and for men 31.8%. The total unemployment rate of 2010 for persons between the ages of 15 to 74 years was 32.2%.

The development of poverty in the past ten years in the Republic of Macedonia is presented in Table 4 below:

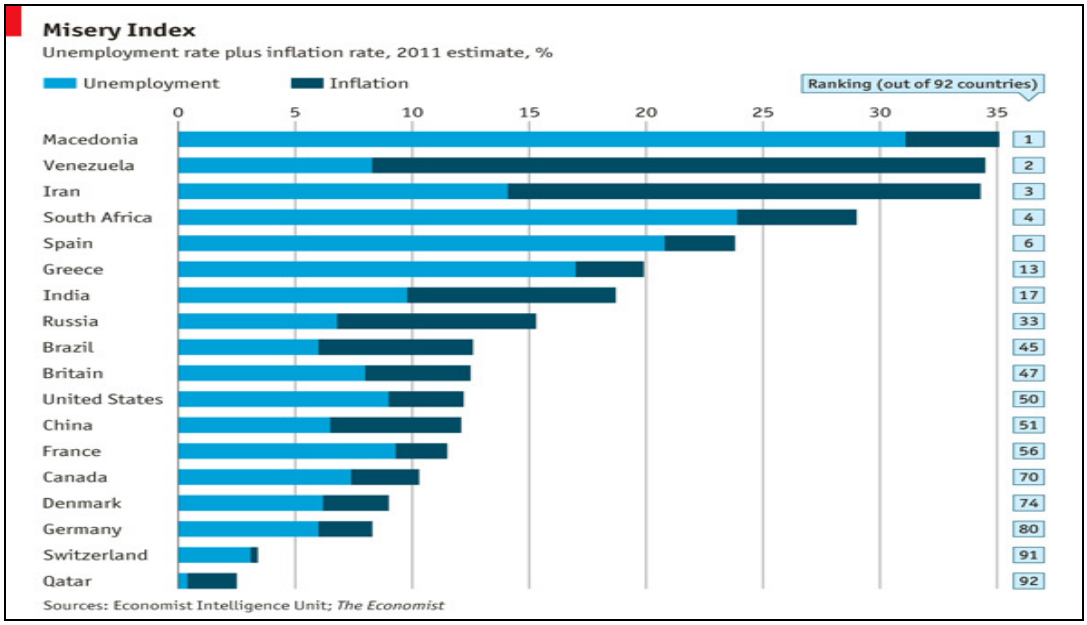
Table 4: Poverty analysis for the period 1997 to 2010

Poor people out of the total population	
Year	**Poor people in %**
1997	19.0
1998	20.7
1999	21.0
2000	22.3
2001	24.6
2002	30.2
2003	30.2
2004	29.6
2005	30.0
2006	29.8
2007	29.4
2008	28.7
2009	31.1
2010	30.9

Source: Ministry of Labour and Social Policy, National Strategy for Alleviation of Poverty and Social Exclusion in the Republic of Macedonia, for 2010-2020, Table 4, retrieved from: http://www.mtsp.gov.mk/?ItemID=BD66FCC3A7FBCB47AB9150CBFECD2C96.

In January 2012, the renowned magazine The Economist published a ranking by poverty of 92 countries and placed Macedonia at the top with the highest index of 35%. This caused some disturbance in the Macedonian public. The misery index is composed of unemployment rate and inflation.[26]

Figure 1: Daily chart



The fact that the Republic of Macedonia has taken the highest position in the misery index, before Venezuela and Iran, was an appropriate occasion for discussions in the media by the opposition parties and some experts.

[26] The Economist, newspaper, Monday 9 January 2012, retrieved from: http://www.economist.com/blogs/graphicdetail/2012/01/daily-chart-0.

The Ministry of Labour and Social Policy prepared a strategy for decreasing unemployment and poverty rates with target employment indicators, presented in the document "National Employment Strategy by 2015" (published in August 2011).

Table 5: Employment rates for 2010 and targets by 2015

Employment rate	RM 2010	National target 2015
Employment rate (20-64)	48.1%	55%
Youth employment rate (15-29)	26.5%	29%
Youth employment rate (15-24)	15.4%	17%
Women employment rate (15-64)	34.0%	42%
Employment rate with the elderly (55-64)	34.2%	41%

Source: Ministry of Labour and Social Policy, National Employment Strategy by 2015, Skopje, published in August 2011, retrieved from: http://www.mtsp.gov.mk/WBStorage/Files/nsvrabotuvanje.pdf.

In the National Strategy on Alleviation of Poverty and Social Exclusion in the Republic of Macedonia (2010-2020), the following data is presented from the pensioners' aspects: "Research of the elderly population in the Republic of Macedonia is scarce, i.e. retired people and challenges caused by age. The Pension and Disability Fund provides pensions for over 60% of the population aged 60 and above (53.44% out of the total % of pension beneficiaries are entitled to old-age pension: Only a small number of elderly people (8.22%) who receive a pension enjoy the right to permanent cash benefit within the social protection system. In line with the report to the European Union, over 70,000 (or 31.1%) of the people aged 65 and above are not in receipt of a pension".[27]

2.2.3 Impact of EU social policies on the national level

The degree of impact that the EU social policies had on the Macedonian pension system can be seen from the recommendations in the EU Progress Report and their acceptance in the National Programme for Adoption of the Acquis Communautaire. It is important to state the fact that the Republic of Macedonia is a non-EU country (with a candidate-country status waiting to join the EU) and is, therefore, subject to annual evaluation of the progress in fulfilling given benchmarks. In reference to 2009 recommendations, noted in the EU Progress Report, in 2010 the Law on Mandatory Fully Funded Pension Insurance was amended, thereby ensuring increased operational and functional independence of the Agency for Supervision of Fully Funded Pension Insurance (MAPAS). In this context, one of the remarks in the EU Progress Report for 2011 was given in the section *4. Ability to assume the obligations of membership, 4.9. Chapter 9: Financial Services,* the "Commission Staff Working Document the Republic of Macedonia 2011 Progress Report".[28] It was specifically pointed out that "the financial independence of MAPAS was not fully ensured, despite the separation of the MAPAS budget from the Ministry of Finance, which still gives prior approval regarding the management of MAPAS assets. No previous experience related to financial supervision or capital markets is

[27] Ministry of Labour and Social Policy, National Strategy for Alleviation of Poverty and Social Exclusion in the Republic of Macedonia, for 2010-2020, page 25, retrieved from: http://www.mtsp.gov.mk/?ItemID=BD66FCC3A7FBCB47AB9150CBFECD2C96.

[28] Government of the Republic of Macedonia-Secretariat for European Affairs, Commission Staff Working Document the Republic of Macedonia 2011 Progress Report, Brussels, published on 12 October 2011 on the web page: http://www.sep.gov.mk/content/Dokumenti/EN/mk_rapport_2011_en(1).pdf

required for the appointment to the MAPAS management. Its overall administrative capacity is weak and exposed to turnover of experienced staff. MAPAS has limited leverage over the institutions it supervises. In the area of insurance and occupational pensions, the country partially meets its objectives". Further on, the EC points out that "the country's pension scheme, which is based on defined contributions, differs from the model applied in most of the EU countries; hence the respective EU *acquis* for supervision of the institutions for occupational retirement provisions cannot be applied". In reference to the investment of pension funds policy, the EC notices that "the limitation on investing in non-domestic securities continues, which is contrary to the principles of EU law. However, the limit was relaxed to 50% (30% in 2010)".

All these remarks of the European Commission, which were included in the Commission Staff Working Document for the Republic of Macedonia 2009/2010/2011, require dedicated effort in the forthcoming period in order to meet this high level of harmonisation with the recommendations, but also with the EU practices.

The government of the Republic of Macedonia adopted a National Programme for Adoption of the Acquis Communautaire-Revision 2011[29], according to which, IPA funds will be allocated as technical assistance for the development of MAPAS in 2011. Precisely, the part *3.9.2 Insurance and occupational pension insurance*, points out that the progress of MAPAS will be focused on the introduction of risk-based supervision, strategic and business planning, research, as well as development of business and IT processes.

On 24 November 2011, the Publicity and Informative Conference was held in the European Union Information Centre in Skopje, dedicated to the "Support to the Agency for Supervision of Fully Funded Pension Insurance-MAPAS" Project.[30] The specific objective is to provide technical assistance to the agency, in order to strengthen its supervisory activities and establish procedures and standards for continuous and stable development of agency. The project foresees the implementation of the standard ISO 9001.

Although the Macedonian legislation does not foresee any early retirement schemes, the unemployment rate of 31.2% for 2011 demonstrates that a large portion of the labour force is without working lives or active labour market engagement. In August 2011, the Ministry of Labour and Social Policy prepared the National Strategy of Employment for the Republic of Macedonia 2015[31], which is a document for developing employment policies and opportunities. The strategy sets the priorities of the labour market such as: handling unemployment among youth and women, and prevention of long-term unemployment. These policies aim at increasing the number of employees, and the length of working life, which will have an impact on pension adequacy upon retirement from the labour market for these employees.

2.2.4 Impact assessment

Demographic impact assessment

Regarding the financial sustainability of the pension system, the key factors for the analysis are mortality, fertility, labour force, unemployment, average wages, inflation, etc. Pensioners are an important part of the total population; therefore, the ageing of the population is a problem that must not be disregarded. The demographic indicators shown below compare the Republic

[29] Government of the Republic of Macedonia-Secretariat for European Affairs, retrieved from: http://www.sep.gov.mk/content/Dokumenti/EN/NPAA2011_narativen_del.pdf.

[30] Agency for Supervision of Fully Funded Pension Insurance, IPA Project, retrieved from: http://www.mapas.gov.mk/mapas-en/index.php/mapas/ipa-project.

[31] Ministry and Social Policy, National Strategy of Employment for Republic of Macedonia 2015, retrieved from: http://www.mtsp.gov.mk/WBStorage/Files/nsvrabotuvanje.pdf.

of Macedonia with the weighted values for OECD34 countries, which demonstrate a similar tendency of increased life expectancy and increased fertility rate.

Table 6: Life expectancy

	Life expectancy		
	Women	**Men**	**Difference Women-Men 2005-2050**
Republic of Macedonia	80.0	75.0	**5.0**
OECD34	**81.8**	**76.1**	**5.7**

OECD Pension Indicators, Demographic and economic context, retrieved from: *http://www.oecd.org/document/16/0,3746,en_2649_34757_45558288_1_1_1_1,00.html.*

Table 7: Rate of fertility

Total fertility rates, 1995-2050						
	1995-00	2005-10	2015-20	2025-30	2035-40	2045-50
Republic of Macedonia	-	1.55	1.65	1.75	1.85	1.95
OECD34	**1.68**	**1.69**	**1.71**	**1.73**	**1.77**	**1.80**

Source: OECD Pension Indicators, Demographic and economic context, retrieved from: *http://www.oecd.org/document/16/0,3746,en_2649_34757_45558288_1_1_1_1,00.html.*

From today's perspective, this situation will generate low pensions in the future and it is a good reason for further reforms, which would aim at providing adequate pensions for the future generations.

Labour market participation

The long-term adequacy of the pensions and the sustainability of the pension system are influenced not only by the demographic factors, but also by the condition of the labour market (employment/unemployment, total of elderly persons, difference between men and women, etc.). Throughout the entire transition period, the Republic of Macedonia has been facing a rigid labour market, with high unemployment rate, especially with the long-term unemployed.

Table 8: Unemployment in the Republic of Macedonia, by year in %

Year	**Rate of unemployment**
1997	36.0
1998	34.5
1999	32.4
2000	32.2
2001	30.9
2002	31.9
2003	36.7
2004	37.2
2005	37.6
2006	36.0
2007	34.9
2008	33.8
2009	32.2 *
2010	32.0 *
2011 II Quarter	31.3 *

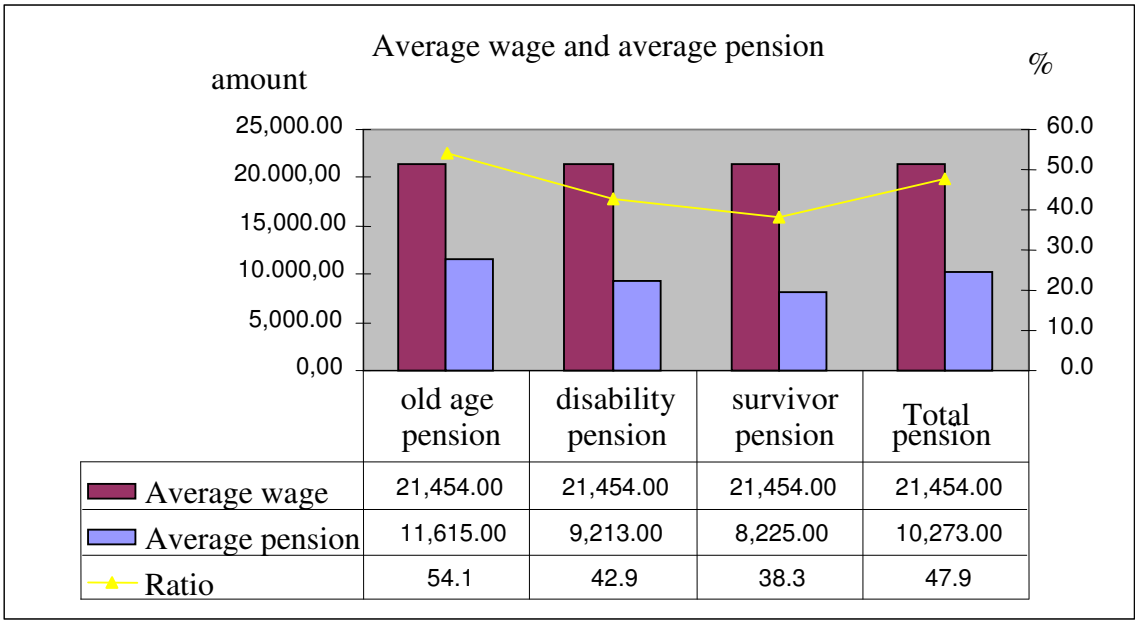
Source: Ministry of Labour and Social Policy, Strategy on Alleviation of Poverty and Social Exclusion in the Republic of Macedonia (2010-2020), retrieved from: *http://www.mtsp.gov.mk/?ItemID=BD66FCC3A7FBCB47AB9150CBFECD2C96,*
** Data added by http://www.stat.gov.mk/*

The above indicators demonstrate that even though the unemployment rate was decreasing in the period 2005-2011 (only by 5.3 percentage points), it still remains very high, and above 30%. According to the Labour Force Survey for 2010, published in November 2011, from the total unemployment rate (32%), 32.2% goes to the male population and 31.9% to the female population. In the group of unemployed at the age from 55 to 64, the total percentage of unemployment for 2010 is 27.8%, out of which 28.7% are men and 25.8% are women.[32]

Adequacy of pension benefits and poverty in old age

When considering the adequacy of the pension system in the prevention of poverty of the elderly, attention is paid to the financial power of all pension categories, the emphasis being on the amount of pension and the number of minimum pension beneficiaries. The statistical data indicating the probability of poverty risk in old age is, actually, the result of the comparison between the average wage and average pension and comparison with the consumer basket.

Figure 2: Average wage and average pension (year 2010) in MKD



	old age pension	disability pension	survivor pension	Total pension
Average wage	21,454.00	21,454.00	21,454.00	21,454.00
Average pension	11,615.00	9,213.00	8,225.00	10,273.00
Ratio	54.1	42.9	38.3	47.9

Source: Report on the operations of PDIF for 2010, page 22, published in April 2011, on the website www.piom.com.mk. Note: The data is taken from the 2010 Report, because the 2011 Report had not been published at the moment of preparation of this report.

The average amount of all pensions is 47.9%, or little less than the half the average wage. The survivors' beneficiaries have the lowest ratio of 38.3%, while for disability the ratio is 42.9%, which is slightly higher, and the best ratio is the one for old age with 54.1%. Compared to 2009 (49.1%), in 2010 the ratio of all types of average pensions to the average wage has decreased by 1.2%. Worst off are the minimum pensions, where the lowest amount of the minimum pension (MKD 5,634.00) constitutes only 26.3% of the average wage (MKD 21,454.00).[33] The value of the consumer basket for the same period is MKD 12,342.00 and the minimum pension in relation to the poverty threshold is only 45.65%.[34]

[32] State Statistical Office, Labour Force Survey, 2010, Statistical Review: Population and Social Statistics, Skopje, November 2011, page 99, retrieved from: http://www.stat.gov.mk/Publikacii/2.4.11.09.pdf.

[33] Report on the operations of PDIF for 2010, page 26, published in April 2011, on www.piom.com.mk.

[34] State Statistical Office, News Realise, No. 4.1.11.18**,** 3 March 2011, retrieved from: http://www.stat.gov.mk/pdf/2011/4.1.11.18.pdf.

Only 4.5% of the pensioners receive a pension higher than MKD 20,000.00, an amount close to the average wage in the Republic of Macedonia, and one third receive a pension whose amount is close to the value of the consumer basket.[35]

Therefore, if the adequacy of pensions is measured in relation to the amount of the poverty threshold, the minimum amount of pension is rather low and can satisfy only about half of the consumer basket's value. And although the other types of pensions are higher than the minimum pension, their average is still below the poverty threshold.

Seen from another angle, the minimum pension represents a state guarantee for an amount of the pension benefit, which is higher than the amount of pension benefit that would be paid if determined by the career length and the earned wages.
The gender aspect is an important factor for the adequacy of pensions. The gender inequality will have a negative effect on women that participate in the mandatory fully funded component of the pension system, which is a defined contributions system. This is because their savings on the individual accounts, accumulated throughout the years of career, would be accumulated in a lesser number of years and, because of living longer, the amounts of the pension benefits will be lower when compared to those of men. The future measures which will be implemented have to include equalisation of the gender pension gap, due to the different retirement ages for men and for women.

Financial sustainability assessment

In the reporting year 2011, the policy of reduction of the contribution rate (18% for 2010/2011) influenced the financial condition of the pension system. Of course, it was influenced by the economic crisis as well, which hindered the attainment of the macroeconomic indicators for increased employment and wage growth, which, as such, have direct impact on the revenues from contributions. Namely, in 2010, the contributions participated in the total revenues with 60.7%. The second largest source of financing are the loans from the state budget, which reached 34.4% in 2010[36] and are used for sustaining the regular pay out of pensions.

The reduced incomes of the State Pension Fund, due to decreased contribution rates and the high unemployment rate, made it necessary to digress from the current policy of accelerated decreasing of the pension contribution rate. The table below is a comparison of the contribution rates in the Republic of Macedonia and 34 OECD[37] countries, which demonstrates that until 2009, the rates are similar, and after 2009 the Republic of Macedonia started decreasing the rate:

Table 9: Contributions

	Pension contribution rate (% of gross earnings)						
	1994	1999	2004	2007	2009	2010	2011
OECD34	**19.2**	**19.3**	**20.0**	**19.8**	**19.6**	**-**	**-**
Republic of Macedonia	20.0	20.0	21.2	21.2	19.0	18.0	18.0

Source: OECD Pensions Indicators Demographic and economic context retrieved from: http://www.oecd.org/document/16/0,3746,en_2649_34757_45558288_1_1_1_1,00.html and Report on the operations of PDIF for 2010, page 28, published in April 2011, on the website www.piom.com.mk or http://www.piom.com.mk/informacii/statistika/40.html.

[35] Report on the operations of PDIF for 2010, page 25, published in April 2011, on www.piom.com.mk or http://www.piom.com.mk/informacii/statistika/40.html.

[36] Report on the operations of PDIF for 2010, page 29, published in April 2011, on the website www.piom.com.mk or http://www.piom.com.mk/informacii/statistika/40.html.

[37] OECD Pensions Indicators Demographic and economic context retrieved from: http://www.oecd.org/document/16/0,3746,en_2649_34757_45558288_1_1_1_1,00.html.

In the past several years, especially from 2009, the deficit, or rather the transfers from the state budget have been growing rapidly, as seen in the table below.

Table 10: Deficit/transfers from the State Budget (%)

Deficit/transfers from the State Budget (%)			
2008	2009	2010	2011
27,1	**33.7**	**34.4**	**-**

Source: Actuarial Report on the pension system in RM, 2008, 2009 and 2010 published on www.piom.com.mk or http://www.piom.com.mk/informacii/statistika/40.html.

The last Actuarial Report for 2010 can be used in the analysis of the impact of the economic crisis and financial constraints. The report includes the long-term influence of the decrease of the pension contribution rates (gradually from 2009). To this can be added the impact of the reduction of the minimum contribution base from 65% to 50%, which also started in 2009.

Table 11: Two scenarios for the development of revenues, expenditures and deficit

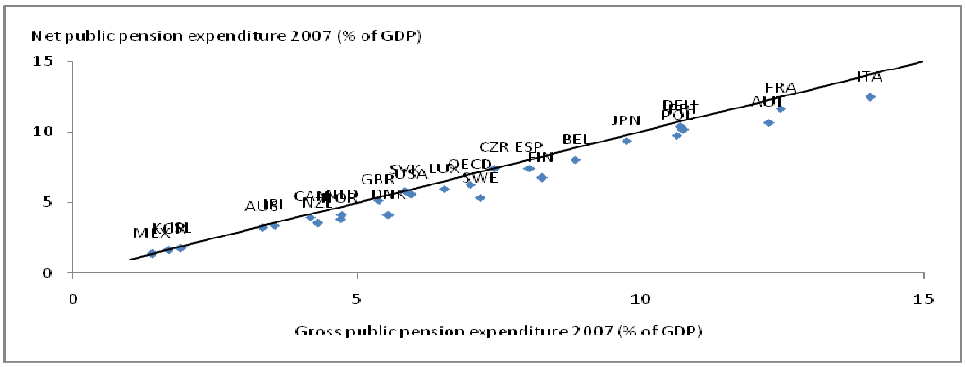
Years	**Contribution rate of 19% in 2009, 18% in 2010, and 15% in 2011 and beyond (scenario I)**			**Contribution rate would have remained at 21.2% (scenario II)**		
	revenues	expenditures	deficit	revenues	expenditures	deficit
	% from GDP			% from GDP		
2010	6.29%	9.44%	-3.15%	7.40%	9.46%	-2.06%
2020	4.60%	8.81%	-4.21%	6.54%	8.65%	-2.11%
2030	4.12%	9.72%	-5.60%	5.85%	9.42%	-3.57%
2040	4.10%	9.20%	-5.10%	5.82%	8.88%	-3.06%
2050	4.29%	7.76%	-3.47%	6.09%	7.50%	-1.40%
2060	4.29%	7.66%	-3.37%	6.10%	7.40%	-1.29%
2070	4.30%	7.32%	-3.02%	6.11%	7.07%	-0.96%
2080	4.30%	7.23%	-2.94%	6.11%	6.99%	-0.88%

Source Actuarial Report on the pension system in RM-May, 2010, published on www.piom.com.mk or http://www.piom.com.mk/informacii/statistika/40.html.

As demonstrated in Table 11 above, the first scenario, with the decreased contribution rate, leads to a deeper deficit and a decrease of revenue from contributions. Regarding the long-term financial sustainability after the introduction of the second pillar, it is important to say that the deficit will gradually increase. This is because the participation of the labour force in the second pillar will grow and so the inflow of contributions in the second pillar will become more significant. After 2030, the deficit will start decreasing with the turn-out of the first retirees of the two-pillar system. For the first pillar, this will be a drop in expenditures for pension payouts. This is because the pensions that the new beneficiaries will receive from the first pillar will be smaller when compared to the pensions that they will receive from the second pillar. This is due to the decrease of expenditures for pension payouts from the first pillar, resulting from the maturation of the two-pillar system, when all retirees will receive their pension benefits from both pillars.

Due to the lack of real data for comparison of the public pension expenditure as a % of GDP in the Republic of Macedonia and OECD34, from the graph below can be assumed that the Republic of Macedonia was in the group of countries located in the centre of the line.

Figure 3: Gross and net public pension expenditure



Source: Society at a Glance 2011 - OECD Social Indicators, retrieved from: http://www.oecd.org/document/24/0,3343,en_2649_34637_2671576_1_1_1_1,00.html#data.

The role of private/funded pensions in retirement income

The future pension will depend on accumulated assets, investment performance, and life expectancy at retirement. Mandatory private pension funds have only existed for six years in the Republic of Macedonia, and they were hit by the global economic crisis. According to the formula for calculating the return[38], in the period 01.01.2006 – 31.12.2008 a stop in the rise of the rate of return is demonstrated during the financial crisis (2008), which hit the capital markets around the world. After this shock, i.e. since 2009, the rate of return has started to rise mildly and the pension funds have been recovering from the loss.[39]

Table 12: Return on mandatory pension funds

Period	NLB/ZPF	KB/ZPF
31.03.2008 – 31.03.2011	3.99%	4.84%
30.06.2008 – 30.06.2011	6.52%	6.25%
30.09.2008 – 30.09.2011	6.11%	4.83%
31.12.2008 – 31.12.2011	8.80%	6.86%
From the beginning –31.12.2011	4.34%	4.56%

Source Agency for Supervision of Fully Funded Pension Insurance, IPA Project, retrieved from: http://www.mapas.gov.mk/wbstorage/files/Prinos%20za%20na%20Veb%202011_zadolzitelni.pdf.

Considering that the voluntary pension funds were established in 2009 and have been operational for only two years, the data on the return will have only statistical value for the first year of existence of these funds. So, the annual return of the voluntary pension funds for the period 31.12.2009 – 31.12.2011 was as follows: the rate of return for NLB/VPF was 4.18% and for KB/VPF it was 6.02%.[40]

Capacity building assessment

Regarding capacity building of the Macedonian pensions, in December 2011, the regulatory body, the Faculty of Philosophy – Social Affairs Department, Skopje, published the Social

[38] The Law on Mandatory Fully funded Pension Insurance, Article 86, published on 5 May 2002, Official Gazette No. 29/2002. Only the results from the last 36 months are included in the calculation of the return (01.01.2006-31.12.2008; 31.12.2006-31.12.2009; 31.12.2007-31.12.2010).

[39] Agency for Supervision of Fully Funded Pension Insurance, IPA Project, retrieved from: http://www.mapas.gov.mk/index.php/nastani/2011-04-20-11-20-57/95-nastani/2011-08-22-09-18-32/196-pres-konferencija.

[40] Agency for Supervision of Fully Funded Pension Insurance, IPA Project, retrieved from: http://www.mapas.gov.mk/wbstorage/files/Prinos%20za%20na%20Veb%202011_dobrovolni.pdf.

Policy Review, which includes an article titled: "The contribution and the challenges for the supervision of the fully funded pension insurance in the Republic of Macedonia".41 The author criticises the status of the Agency for Supervision of Fully Funded Pension Insurance (MAPAS), the supervisory and regulatory body of the fully funded pension system. In its ten years of existence, this institution faced the challenge of insufficient independence, which, subsequently, led to interruption in the continuity of its operations. The dependence on the executive authorities prevented MAPAS from being harmonised with the international private pension supervision principles (IOPS-Principe 2, Independence)42, and caused MAPAS to be the subject of comments in the last three Progress Reports of the European Commission (2009, 2010 and 2011). In order to achieve a higher level of independence and to eliminate the political factors that influence independence, the author finds that further changes and reforms are needed, by which the managing bodies of MAPAS would be elected by an authority independent from the executive government, i.e. the Parliament of the Republic of Macedonia.

2.2.5 Critical assessment of reforms, discussions and research carried out

Adequate retirement incomes

The new conditions that arose from the economic crisis, the high unemployment rate and the rigid labour market call for the policy makers to continue with additional reforms in order to ensure income and improve sustainability of the pension system. In the last several years, the deficit of the pension funds has been growing continuously, and in order to sustain the regular pay out of the pension, the state budget intervened with short-term loans. This is alarming for the authorities and they should undertake some urgent measures to stabilise the system in the long run. In the past two decades, the age limit for retirement has already been raised twice, nevertheless, the time has come to reconsider it again, as an inevitable further reform, which has already been undertaken in other countries. Regarding the life expectancy and old age as exclusive retirement condition for the provision of sustainable pension system and adequate pensions, this should be considered for effecting changes in the current pension legislation, i.e. increasing the retirement age for old-age pension. The current government is not prepared to undertake such a reform, because it would meet with disapproval from the public, especially after the promise of increased pensions during the parliamentary elections of 2011. However, the government is responsible for leading an equitable and fair policy for all generations and not only for the current pensioners, regardless of the fact that they represent a large portion of the electorate. Therefore, a good preparatory step would be a new actuarial analysis (the last one is with data from 2009) of the life expectancy upon birth and upon retirement, with projections on the participation of pension expenditures as % of GDP with decreased contribution rates, the impact of the economic crisis and similar relevant indicators. Such analysis would assist the authorities in realising the necessity of adjusting the retirement age to the life expectancy and the prolonged participation on the labour market in order to afford a wage which will provide for adequate pension, at the time of its pay-out.

In addition, having in mind the gender difference caused by the difference in life expectancy between men and women, and different retirement age (62/women, 64/men), the policy makers should reconsider future reforms in order to balance the gender gap, by introducing legal equality of the retirement age.

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41 Zorica Apostolska Social Policy Review No. 8, article The contribution and the challenges for the supervision of the fully funded pension insurance in the Republic of Macedonia, edited in December 2011

42 International Organisation of Pension Supervisors, (2010) *IOPS PRINCIPLES OF PRIVATE PENSION SUPERVISION,* retrieved from: http://www.mapas.gov.mk/wbstorage/files/IOPS_principles_of_supervision.pdf, http://www.iopsweb.org/dataoecd/59/7/40329249.pdf.

In doing so, the difference would be smaller in the adequacy of pensions for men and women in the period of receiving the benefits, but it would continue during the payment period, due to the presence on the labour market. This reform would also have effect on harmonising the gender approach of the Republic of Macedonia with the European Council's directive/principle on equal treatment.

In the Macedonian fully funded pension insurance, the most important costs are the fees from contributions (entrance fees) and the fees paid from net assets of the pension funds.[43] From a long-term perspective, the fees from contributions will not have a significant impact on the pension, considering that the accumulated assets will grow in volume. In that context, in the Review on Social Policy, the author Zorica Apostolska wrote a positive evaluation of the gradual reduction of costs, by summarising the results.

Table 13: The movement of fees charged by the pension funds

year	Fee from contributions (%)		Fee from assets (%) (KB/NOV)
	KB Prvo Penzisko drustvo	NLB Nov penziski fond	
On tender 2005	9.9	9.9	0.05
from January 2006	8.5	8.5	0.05
from July 2007	7.9	7.9	0.05
from February 2008	6.8	6.9	0.05
from January 2009	6.8	6.5	0.05
from January 2010	5.5	5.5	0.05
from January 2011	4.5	4.5	0.05

Source: Zorica Apostolska, Review No. 8 on Social Policy, "The contribution and the challenges for the supervision of the fully funded pension insurance in the Republic of Macedonia", edited in December 2011.

It is important to point out that the reduction continues in 2012, when both pension companies will charge a 4% fee from contributions.[44]

Improving regulatory independency

So far, MAPAS is not in full compliance with IOPS principles (International Organisation of Pension Supervisors, 2010), especially with Principle 2: Independence, which demands from supervisory bodies to be independent in their operations.

The European Commission, in the last three reports on the progress of the Republic of Macedonia, has also pointed out the need for bigger independence of MAPAS (see part *2.2.3 Impact of EU social policies on the national level*).

In this context, in one of the articles of the Review No. 8 on Social Policy, the author Zorica Apostolska compares international experience on the status of regulatory and supervisory bodies among Croatian, Serbian, Bulgarian, and Polish regulators of fully funded pension systems. She also compares the status of domestic regulators, such as the Agency for Supervision of Insurance, Securities Exchange Commission and National Bank of the Republic of Macedonia.

[43] The Law on Mandatory Fully funded Pension Insurance, Article 98, Paragraph 1, published on 5 May 2002, Official Gazette No. 29/2002.

[44] Agency for Supervision of Fully Funded Pension Insurance, website www.mapas.gov.mk.

According to Apostolska's research, "all these institutions, compared on domestic and international level, already have a high degree of independence, since the appointment and the dismissal of the managing bodies was effected by the parliament. However, MAPAS does not have the required independence. It is still dependent upon the executive authorities, and it is susceptible to the influences from the government, especially after every election and after changes in the political establishment".[45]

Thus, further reforms are required to increase the level of independence and to eliminate political influences over the Macedonian regulator, which would bring change of institutional and organisational status. Currently, the managing bodies of MAPAS are appointed by the government. However, in the future this should be done by a body independent from the government, which is the Parliament of the Republic of Macedonia. This recommendation is based on international experience and standards, the evolution of the regulators and supervisors, as well as the need to harmonise with the requirements of the EC Progress Reports,

Building up public awareness

Public awareness could be achieved by constantly building up awareness, which should help the citizens, especially when making their decision for or against entering a voluntary pension scheme. Also, in the context of better financial education, the members of the second pillar must be informed about the rights and the key financial parameters when transferring from one private pension fund to another. In 2011, there was a very pale public campaign, mostly because of the election campaigns, dominating the first half of the year. Only the effort of the Minister of Labour and Social Policy, Spiro Ristovski, can be singled out, who on several occasions appeared in public to discuss the developments in the pension sector. As part of the Minister's insistence on higher transparency of the social sector, he organised a press conference about the Law on Annuities. The subject of annuities requires a more extensive education, since it is very specific in its nature and very much different from the PAYG system. In order to provide for continuous public awareness strengthening, the legislation foresees MAPAS as the key terminal for educating the public on the fully funded pension system. This leads to the conclusion that the creation of public awareness on these issues needs to be enhanced and more attention should be paid to the public campaigns by the respective institutions in the forthcoming period.

Based on the above issues and from a critical assessment point of view, a summary of the recommended measures to be implemented is as follows:

- Gradually increasing retirement age by adjusting retirement age with life expectancy and gender equalisation of the retirement age.
- Gradually increasing the pension contribution rate for the next 5 years.
- The appointments of the regulatory managing bodies should be done by an institution that is independent from the government, which is the Parliament of the Republic of Macedonia.
- The creation of public awareness on these issues needs to be enhanced and more attention should be paid to voluntary pension funds and annuity issues.
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[45] Zorica Apostolska, Review No. 8 on Social Policy, "The contribution and the challenges for the supervision of the fully funded pension insurance in the Republic of Macedonia", edited in December 2011.

2.3 Health Care

2.3.1 The system's characteristics and reforms

Current status and organisation of the health care system

The health care system of the Republic of Macedonia is structured as a socially based health system, a model of solidarity in health. A long-lasting transitional period has been marked with several reform steps that were undertaken, mainly towards decentralisation of some services and towards public-private partnerships, which have emerged recently.

The health care system is generally built on three levels: primary health care, secondary and tertiary, including clinic hospitals. The overall regulation, surveillance and monitoring of the system is performed by the Ministry of Health. The system has been structured to cover the entire population of Macedonia, with general practitioners in primary health care, specialists in health houses (polyclinic centres) and specialists in ambulatory services in hospitals (general and specialised hospitals). Clinic hospitals are part of the previously disaggregated Clinical Centre in Skopje (2008), having the status of University Clinic Hospitals. Recently, two Clinical Centres have been established: Clinical Centre in Tetovo (for the north-western region) and Clinical Centre in Stip (for the central and eastern region).

Health insurance and public health

National mandatory health insurance exists for all citizens in the Republic of Macedonia, with an estimated coverage of 92%. The health insurance benefits are linked to a basic beneficiary package (BBP) of services in primary and secondary health care, drugs and medical devices and preventive programmes. The national health insurance is provided through the Health Insurance Fund in the Republic of Macedonia (HIF). Revenues of the HIF include direct payments from beneficiaries (7.3% of gross wage), direct transfers from the state budget, own sources (mainly co-payments) and other sources (contributions from retired workers paid by the pension fund and from recipients of social benefits paid by the Ministry of Social Welfare). Total health expenditures (THE) as % of GDP were estimated to be 6.9% (in 2009). According to the last formal report on the financial work of the HIF (2009), the work of the HIF has a positive balance, and no financial shortages were announced.[46]

Public health functions were strengthened and implemented through the National Institute for Public Health and its regional branches. The function of public health mainly covers preventive programmes, with some weaknesses in organisation, management and research approach.

Service provision

General practitioners (GPs as family medicine doctors) provide services for primary health care and have been envisaged as "gate keepers" who should cover the majority of the health needs of the population (80%). In line with the decentralisation policy of the government, a rapid privatisation of all GPs was implemented in January 2007. Since then, GPs operate as individual entrepreneurs having contracts with the health insurance and being paid 70% per capita (capitation fee) and 30% for selected service provision, selected volume of prescribed drugs and additional goals reached (mainly preventive examinations and health promotion). GPs have the status of family medicine physicians; specialisation for family medicine has been introduced at the Medical Faculty in Skopje.

Specialist services are provided for outpatients (ambulatory care) and inpatients (hospitals). About 70% of specialist services are provided as ambulatory care, but there is an evident shift of the patients from policlinic centres towards hospitals. The burden of patients requiring

[46] Yearly Report of the work of the HIF 2010.

specialist consultation is especially seen at clinic hospitals in Skopje. This is due to poor triage mechanisms for patients in policlinics, as well as the lack of specialists in policlinics.

Public hospitals count 51 facilities, out of which about 1/4 are specialised hospitals or rehabilitation centres. The organisation and management of hospitals, their efficacy, structure and size, which is not adjusted to the real needs of the population[47], remains a major concern.

Recent changes and challenges

During the period covered by this report, the new Minister of Health, Nikola Todorov, was nominated in June 2011. He took this position coming from the previous post as Minister of Education and is a lawyer by professional training. He started his work at the Ministry of Health with three major objectives in respect of the health sector: distribution and operationalisation of the medical equipment procured by the government, revision of the infrastructure in public health institutions and quality of service provision and patient satisfaction. Mentioned objectives are to be implemented through adequate training of the medical personnel for optimal use of the equipment, as well as long-term follow-up of patient satisfaction with the measured quality of service provision in Primary Health care Institutions (PHI), implemented as a specific project of the Ministry of Health.[48]

Regarding service provision in primary health care, the capitation model includes the capitation fee (the price "per capita"). The model itself enables remuneration to GPs up to 70% capitation and 30% fee for selected services. The scope of services provided by GPs is satisfactory for most patients, especially as it offers the possibility of cross-coverage. Still, there is a gap in provision of services during night hours, where emergency services are not accessible.

Regarding specialist care, a specialist package for specialist services was announced and introduced by the HIF in 2010. An important issue of this package is that it presents an attempt to structure, precisely define and quantify the volume and the price of services provided by specialists in secondary health care (policlinics and hospitals). Standardisation and unification of specialist services was a complementary measure to an implemented Diagnosis Related Groups (DRG) payment model for hospitals. Both models give opportunity for rationalisation of resources and the planning of the volume and the scope of service provision in the secondary level of health care. The existing lack of specialists in policlinic centres results in the redirection of patients requiring specialist services towards hospitals. An emerging private sector in terms of specialised and general hospitals has also drained specialists from public to private hospitals, which has additionally emphasised the lack of specialised professionals (doctors, nurses and technicians) in public hospitals. Thus, public hospitals bear the burden of patients and work overload in ambulatory care.[49]

The DRG model of payment to hospitals which was supposed to be the "golden" solution for controlling the costs and expenditures of public hospitals was revised in terms of adjustment of payments per some DRG codes. The model has advantages for its prospective planning of resources and overview of expenditures, but also disadvantages for its unification of similar services, which is not always possible and applicable. Reports from the HIF on the DRG model implementation in hospitals[50] show that it created savings for the HIF. Also, this restrictive model of payment created shortages for the hospitals, which became evident in the lack of necessary funds, especially for the provision of some expensive drugs, expensive diagnostic procedures and highly specific interventions in hospitals. As a consequence, hospitals operate

47 DRG Report for the period January-December 2010, HIF.
48 Interview with Nikola Todorov, Minister of Health. Daily newspaper VEST, 28.January 2012.
49 http://www.fzo.org.mk/.
50 DRG Report for the period January-December 2010, HIF.

with basic diagnostic procedures, basic interventions, and mostly experience a lack of medical supplies, consumables and some expensive drugs.

The DRG model, as a prospective model for payment towards hospitals, together with specialist packages, is used as baseline indicator for remodelling and revising the budgets of hospitals. Even though some increase in budgets to hospitals was applied, the total budget increase was only for selected hospitals for selected services (DRG groups of interventions) and an additional 10% at the tertiary level for service provision (subspecialist care and clinic hospitals).[51]

The Law on Health Insurance was amended in regard to the ways and methodology for implementation and preparation of the list of drugs financially covered by the HIF. The methodology is defined by a general acquisition by the HIF, upon agreement of the Minister of Health. The list of drugs is formulated by a committee consisting of 13 members, constituted by the government of Republic of Macedonia.

The Law on Medicines and Medical Devices was amended with the introduction of parallel import. Parallel import is defined as import of medicines which are already on the market in Macedonia and used in EU countries, in Switzerland, Norway, Canada, Japan, Israel or USA. These drugs are produced by the same manufacturer who already has approval for registration and trade (market authorisation) of the drugs in Macedonia, where the medicines have the same form, strength and packaging.[52]

The new regulation for establishing wholesale and retail prices of the drugs marketed in Macedonia was announced by the Drugs Agency, which forms part of the Ministry of Health. The new methodology for defining prices considers 12 reference countries, definition of comparative wholesale prices and average wholesale prices, as well as the mark-ups for retail prices.[53]

A new model of referral of patients throughout different levels of health care is defined in changes to Article 29 of the same law. Thus, referral of patients starts from GPs (on primary level) to the patient's nearest specialist services (secondary level). Only specialists (from the secondary level) can further refer the patient to hospitals (tertiary level). Exceptions are defined for specific cases (mostly emergency situations).[54]

The new referral system, which was announced by the previous minister and implemented recently, aims at reducing the burden of patients, especially at the tertiary level of service provision (clinic hospitals in Skopje). This model of referral envisages GPs as the baseline for further referral. Patients have to be referred by the GP to receive service at the secondary level of care. Furthermore, only specialists from the secondary level can refer the patients to tertiary care services. This "triage" mechanism has created a huge mess instead of putting things in order. Patients and doctors were complaining mainly of the complicated procedure, unnecessary visits per doctor for the patients, "going round in circles" and limiting GPs in referring patients directly to hospitals. Moreover, patients who had previously arranged clinical and surgical procedures had problems in service provision, because they needed another, new written referral from a specialist. From the perspective of service management and reorganisation, this model should transfer some of the services to the secondary level and

[51] http://www.fzo.org.mk/, Information for the public from April 2011.
[52] Amendment on the Law on Medicines and Medical Devices. 23 January 2012 http://www.reglek.com.mk/dokumenti/274_795495026.doc.
[53] Methodology on the manner of establishment of medication prices. http://www.reglek.com.mk/dokumenti/265_699841823.doc.
[54] Amendment on the Law on Health Insurance, Official Gazette No. 53. 14.04. 2011 http://www.fzo.org.mk/WBStorage/Files/ZZO%2053-2011.pdf .

decrease the visits per doctor at tertiary level, as well as decrease expenditures at tertiary level, where services are most expensive.

In line with the emerging needs of the population, the private sector is strongly building up its position. Two major general hospitals operate in Skopje, as well as several specialist hospitals. Some services provided in private hospitals are covered by the HIF, but many are not. HIF has selected services and defined reimbursement prices for a defined volume of services provided in private hospitals.[55] The emerging private sector offers possibilities and opportunities for the patients to choose where to obtain health services. However, the lack of standardised conditions in the private and public hospital sector and a drifting of professionals towards the private sector leave most socially deprived persons in need of health services with no option to choose, which contributes to inequality in access to health care services. The City of Skopje has the primacy to concentrate health care services, both private and public. The discrepancy and differentiation between Skopje and rural regions increases the inequality in health care service provision.

Health expenditures (Table 15), presented as National Health Account format, show a slight decrease in total health expenditures (THE) as % of GDP. With the indicator of general government expenditure of health as % of THE, which is decreasing as well, it can be pointed out that the government's support to the national public health insurance is decreasing. In addition to this, there is a continuous decrease of the percentage for health insurance contribution from payrolls, which has been decreasing consecutively by 1.5% each year for the last three years. Thus, the public expenditure for health is as low as 4.8% of GDP.[56]

[55] http://www.fzo.org.mk/, Price list for health services in specialist care (last revised 23 March 2011).
[56] The former Yugoslav Republic of Macedonia - National Expenditure on Health (Denar), NHA, WHO 2011.

Table 15: Health expenditures

SELECTED RATIO INDICATORS FOR EXPENDITURES ON HEALTH	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
I Expenditures ratios															
Total expenditures on health (THE) as % of GDP	8.5	8.8	9.2	10.1	8.7	8.7	8.4	9.2	9.3	8.7	8.1	7.8	6.9	6.8	6.9
Financing sources measurement															
External resources on health as % of THE	1.4	1.1	2.9	2.5	1.3	2.8	0.9	1.9	1.2	1.6	0.9	1.0	1.3	1.8	1.0
Financing Agents measurement															
General government expenditure on health (GGHE) as % of THE	58.5	58.6	60.2	64.0	59.6	56.6	57.9	57.9	58.5	59.5	61.8	65.1	64.3	68.2	66.5
Private expenditure on health (PvtHE) as % of THE	41.5	41.4	39.8	36.0	40.4	43.4	42.1	42.1	41.5	40.5	38.2	34.9	35.7	31.8	33.5
GGHE as % of General government expenditure	13.7	14.3	16.2	19.0	15.1	14.8	12.3	13.5	16.2	16.0	14.7	15.4	13.7	13.6	12.1
Social security funds as %of GGHE	97.1	97.3	97.6	97.9	97.4	97.4	97.1	97.3	97.6	97.3	95.8	92.9	94.9	94.9	92.9
Private insurance as % of PvtHE	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Out of pocket expenditures as % of PvtHE	99.6	99.4	99.6	99.5	99.2	99.2	99.1	99.2	99.2	99.2	99.5	99.7	99.2	99.2	99.2
II Selected per capita indicators for expenditures on health															
Total expenditure on health/capita at exchange rate	201	202	178	187	164	159	147	178	219	237	238	253	275	328	314
Total expenditure on health/capita at Purchasing Power Parity (NCU per US$)	424	447	481	552	498	528	504	574	598	614	638	690	672	738	749
General government expenditure on health/ cap x-rate	117	119	107	120	98	90	85	103	128	141	147	165	177	224	209
General government expenditure on health/ cap Purchasing Power Parity (NCU per US$)	248	262	289	353	297	299	292	332	350	365	394	449	432	503	498

Source: The Former Yugoslav Republic of Macedonia - National Expenditure on Health (Denar), NHA, WHO 2011.

In its last financial report, HIF announced a positive balance of collected revenues vs. expenditures on a yearly basis (2009). Yet, if the structure of revenues is looked at closely, a decrease in direct budget funding, as well as a decrease in collecting revenues from the payrolls is evident (Table 16).[57]

[57] Analysis of the realisation of the resources of the HIF and the budgets of public HCI in 2010, HIF 2011.

Table 16[58]: Budget of the HIF related to the state budget and GDP in MKD (2006-2009)

Year	Revenues (payrolls)	Transfers	Total revenues	Total expenditures	HIF budget as % of state budget	HIF budget as % of GDP
2006	9,448,377	5,881,535	16,504,895	16,280,394	15.40%	5.24%
2007	9,963,345	7,065,376	17,491,256	16,425,000	13.98%	4.64%
2008	10,874,393	9,050,078	20,427,496	19,630,339	14.00%	4.93%
2009	10,710,737	8,500,925	19,719,383	19,165,097	12.81%	4.71%

Source: Analysis of the realisation of the resources of the HIF and the budgets of public HCI in 2010, HIF 2011.

Regarding the analysis of the realisation of the funds from the HIF by public health institutions (PHI) (HIF Report 2011), which include all hospitals and policlinic centres, it is evident that out of the total funds used by PHI, 81% come from the HIF, about 2% from the state budget (for special governmental programmes) and about 17% from own resources.

On the other hand, expenditures of PHI are mostly for salaries (about 53%), drugs and medical consumables (27%) and other expenditures (about 20%). The index 2010/2009 shows a slight decrease in expenditures for salaries, an increase in expenditures for drugs and medical supplies and a decrease for other expenditures. This is mainly due to the migration of health professionals from public to private sector and the increase in costs for drugs and medical devices.

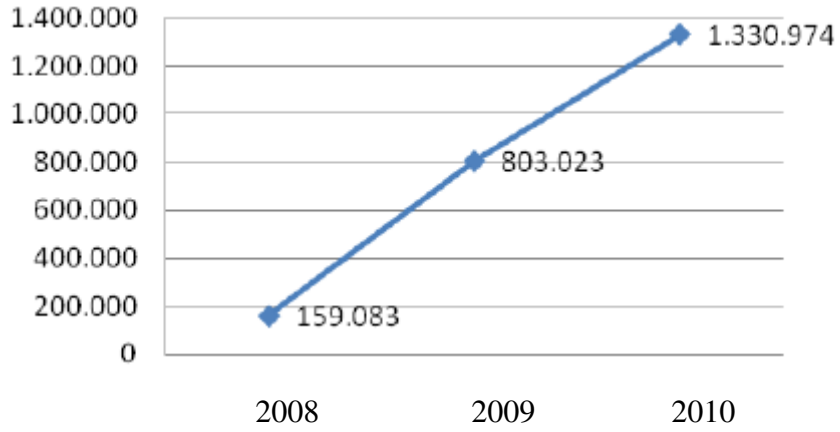
Compared with the analysis of the realisation of the funds from the HIF by public health institutions (HIF Report for January-September 2011), the structure of received financial resources is more or less the same as for 2010.

By 31 December 2010, the total payment obligations of the PHI amounted to about EUR 40,000 (more than 70% of which was towards pharmaceutical companies and suppliers) and increased by about 23% compared to the same period in 2009. However, debts of the PHI had extremely increased (by about 66%) by 31 December 2010, compared to 31 December 2009, amounting to EUR 2.2 million (as shown in Figure 5).[59]

In the period January-September 2011, expenditures for medical supplies and drugs decreased by about 5%, compared with the same period in 2010. By September 2011, the total debts of PHI had decreased by 2.19%, compared with January 2011.[60]

[58] Analysis of the realisation of the resources of the HIF and the budgets of public HCI in 2010, HIF 2011.
[59] Analysis of the realisation of the resources of the HIF and the budgets of public HCI in 2010, HIF 2011.
[60] Analysis of the realisation of the resources of the HIF and the budgets of public HCI in the period January – September 2011, HIF 2011 http://www.fzo.org.mk/WBStorage/Files/Analiza%20na%20real%20na%20sred%20od%20budzet%20na%20FZOM%20i%20budzet%20na%20JZU%20Jan-Sep%202011.pdf.

Figure 5: Debts of PHI (in MKD 1,000)



Source: Analysis of the realisation of the resources of the HIF and the budgets of public HCI in 2010, HIF 2011.

The Basic Benefit Package (BBP) was not finalised in 2011. Many revisions of the BBP were undertaken under the supervision of the World Bank's Health Sector Management Project (HSMP), which was closed at the end of 2010.[61] So far, BBP has not been officially announced and accepted. A lack of precise definition of what the state will provide as optimal insurance package, covered by the national health insurance scheme, leaves a bottomless list of undefined and unclear health services, which are covered in theory, but not in practice.

The emerging private sector is rapidly increasing. Due to the lack of systematised approach by the Ministry of Health to address the need of health services, the private sector "creams off" expensive health services, imposing stratification of the population and compounding inequality in access to some services.

2.3.2 Debates and political discourse

There have been several national debates on the current issues and future developments of the health care system. Debates have been generalised and mainly provocative between the government and the opposition, offering no clear statement about the problem and any real options or solutions for debated issues. Major accusations of the opposition were in line with the notable collapse of the public health sector, which can be seen through increased debts of the PHI, decreased quality of health care service provision for patients, poor procurement practices, especially for expensive vaccines, lack of defined BBP, lack of an integrated emergency care system and integration of the new Clinical Centre in Skopje. Thus, the system "produced" dissatisfied doctors with poor salaries. The governing party representatives claimed to have followed a positive policy in the past six years, mainly through the introduction of the concept of universal health protection coverage for all citizens, the procurement of medical equipment amounting to more than EUR 100 million, the decrease of prices for drugs, the procurement of 100 ambulatory vehicles, as well as the reconstruction and refurbishment of several health facilities throughout the country. However, the opposition discussed "illegal and criminal public procurement of medical equipment". The governing party reacted to the accusations with the organisation of training for health managers and medical professionals in the appropriate use of the new equipment and also created 200 new jobs in public health for specialists in different medical specialisations. The Minister of Health concluded that debates should take place by producing appropriate arguments, rather than by making mutual and futile accusations.[62] It is evident that the governmental policy follows a good course but shows poor

[61] FYR Macedonia: Health Sector Management Project, Project Appraisal Document.
[62] Parliamentary debate for conditions in health: http://www.time.mk/read/d2a63ebe94/1435192fd8/index.html.

implementation. The new expensive equipment, training for professionals and new jobs in the public health sector alone will not generate a rapid revitalisation of the seriously injured health system. As pointed out by the last consultancy by the WHO on BBP, the major issue lies in reorganising and rightsizing the hospital sector, which still remains the financial core of health care expenditures.

The Law on Health Protection was amended, introducing a payment-per-performance model for doctors.[63] This amendment received very strong comments and discussions among health professionals and created strong rejection from the Union of Health Workers and from the Doctors' Chamber of Macedonia.[64] The government justified the implementation of this system of payment by increasing the responsibility of doctors and their efficacy in provision of health care services. The union and the chamber complained about the positioning of the system, whereby only the supervisor (Director of the PHI) has the authority to measure and evaluate the professional work of its employees. The union is concerned that this model gives possibilities for bias in deciding the efficiency and effectiveness of individual professional performance of medical staff. The chamber strongly argued in favour of stopping the project and announced that any communication with health authorities would go "one way only".

Discussions and negotiations were made with pharmaceutical companies, in respect of decreasing the prices of some drugs, according the new methodology for establishing wholesale prices for medicines. The Minister of Health announced a huge decrease in prices of drugs (some up to 70% of previous wholesale or retail price), which generated savings of more than EUR 2 million annually for the public health care expenditures.

The last rebalance of the state budget (September 2011) envisages an increase of the transfers from the state budget to the HIF, but without additional widening of provision of health care services.

2.3.3 Impact of EU social policies on the national level

The potential impact the EU social policies have had on the Macedonian health system's reform processes can be seen in the EU Progress Report 2011, in the recommendations, conclusions and their acceptance. Chapter 28 points out some issues regarding health protection.[65]

Regarding horizontal aspects, the government announced several health programmes. Total financing has been increased compared with previous years. Moreover, there is a significant improvement regarding tobacco control. The Law on Protection Against Smoking is in accordance with the acquis.

There is an evident progress in the area of communicable diseases, where regulation is implemented in line with the EU criteria. Implemented are also separate health programmes for prevention and control of some communicable diseases. The National Programme for Antimicrobial Resistance 2012-2016 has been announced. Even though the prevalence of HIV/AIDS is still very low, this programme is needed to ensure further sustainable financing of activities for prevention, testing, cure and care for the patients.

Good improvement has been made in the area of blood and blood derivatives. An integrated system for sustainable development of transfusiology has been developed, through the well-established Institute for Transfusional Medicine, three regional centres and 19 units. The

[63] Amendment on the Law on Health Protection, April 2011.
[64] Vox Medici, No. 70, March 2011.
[65] The Former Yugoslav Republic of Macedonia 2011 Progress Report, Brussels, 12 October 2011. http://www.sep.gov.mk/content/Dokumenti/MK/PR_2011_mk.pdf.

National Programme for Organisation and Improvement of Blood Donating has been established. The new Law on Transplantation of Organs, Tissues and Cells was established, aimed at alignment with the acquis.

Slow progress has been made in the area of mental health, where the Programme for Health Protection of Persons with Mental Illnesses was established. However, there is still no progress in the implementation of the Action Plan for Mental Health, which should provide protection of mental health at community level, as an alternative to institutionalisation.

Progress in solving the socio-economic determinants of health and health inequalities is very slow. Some progress is evident in the area of malignant diseases, in terms of increasing the budget of the National Programme for Early Detection of Malignant Diseases more than three times. The National Register for Cancer has been established, but is not yet completely functional.

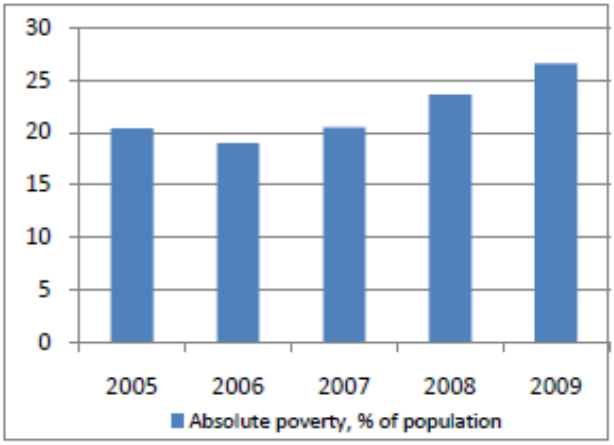
2.3.4 Impact assessment

Several factors have been taken into consideration when analysing the health care system. This includes macro and micro-financial developments, health reforms planned and undertaken, health outcomes and inequalities and quality of service provision.

The Macedonian economy is recovering from the recent global crisis. Economic growth was expected to accelerate to 3-3.5% in 2011 and to be around 4-4.5% in the medium run, although early elections may cap growth. In March 2011, the government drew EUR 220 million out of EUR 390 Million available under the Precautionary Credit Line (PCL) with the IMF, which should cover all financial needs for 2011.[66]

Despite improved economic performance, absolute poverty in Macedonia between 2002 and 2008 increased. The last poverty assessment for the country by the Household Budget Survey (HBS) reported that the proportion of population living below the poverty line was previously 20% and increased to 23.5% in 2008 (with extreme poverty affecting 5.3% of the population). 2008 was marked by an increase in the income inequality, especially in respect of the gap in living standards between the city of Skopje and the northern and eastern regions of Macedonia. Figure 6 presents the absolute poverty as percentage of the population.

Figure 6: Absolute poverty, % of population



Source: World Bank - FYR Macedonia Partnership, Programme Snapshot, March 2011.

Although the impact of the global economic crisis was less severe compared with most countries in the region, living conditions were impacted by reduced access to finance and

[66] World Bank - FYR Macedonia Partnership, Programme Snapshot, March 2011.

stagnating labour markets. According to the 2009 HBS, the absolutely poverty rate increased to 26.6%. The increase was driven by an increase in rural poverty (to 36.4%), reflecting declining employment in agriculture. Significant improvements are not likely to have taken place, given the sluggish personal consumption and non-improving labour markets. With a somewhat stronger recovery in 2011 and higher spending on social transfers (conditional cash transfers - CCT), the poverty line may decline.[67]

Macedonia is building an innovative and well-targeted social safety net. The social system performs reasonably well, but exclusions exist. The system has too many programmes, with overlapping beneficiaries and objectives. Coverage of social assistance can be strengthened further, as it reaches only 43% of individuals in the poorest quintile. Among other factors, potential beneficiaries lack of proper documentation (especially true for Roma). Removing non-pension social transfers would increase poverty by a few percentiles. On the other hand, pensions provide an important buffer against poverty, helping around 11% of the population to stay above the poverty line. The CCT programme helps to reduce inter-generational transfer of poverty. Authorities are considering extending the CCT benefits to other areas, such as the health care sector (mother and child protection).

Planned activities of the Ministry of Health, as announced by the Minister of Health, were in the provision of medical equipment for PHI (financed from the state budget), amounting to over EUR 100 million. Also, the Minister announced and started with the implementation of so-called kaizen – a Japanese model of monitoring the organisational model of work, service provision and performance of PHI, through direct observing, on site. To this end, several visits to different PHI (including hospitals) were undertaken. Moreover, refurbishment and reconstruction of some HCI facilities was undertaken.

Improved exchange of information was implemented through the development and implementation of the Integrated Health Information System (IHIF, which started under the WB HSMP through the HIF and Ministry of Health) and the introduction of an e-health card.

Preventive activities covered the revision of the National Immunisation Programme and active support to the vertical national programmes (preventive and curative), financially covered through the state budget.

HIF, in the last report on the work of the HIF in 2009, announced a positive financial balance. The introduction of DRG, specialist package and reference prices of drugs, were measures undertaken to reduce expenditures and improve the control of service provision. In the Report on DRG for the period January-December 2010, basic statistical data on morbidity in hospitals, as well as basic statistical information on service provision was published. Out of the total number of services provided in hospitals, about 23% are related to newborns or delivery (perinatal care). Regarding the age of the covered population, 24% of all services provided were for the population aged 14-44 years, while the ageing population over 65 counted for 21% of all services provided. The Average Length of Stay (ALOS), as an overall indicator for DRG efficacy in implementation (rationalisation of resources), was 5.9 days, compared to 6.2 days in 2009. However, the decrease of length of stay in hospitals as indicator poses the question of need for and reorganisation of services for chronic patients, long-term care and rehabilitation.[68]

A report on payment to hospitals as per DRG services for the period January-September 2011 analyses the data from 58 health institutions, where 54 are PHI and 4 are private health

[67] World Bank - FYR Macedonia Recent Economic and Sectoral Developments, 2012. http://siteresources.worldbank.org/INTMACEDONIA/Resources/FYRMacedoniaRecentEconomicandSectoralDevelopment.pdf.

[68] DRG Report for 2010, HIF.

institutions. According to the report, about 36% of all acute admissions to hospitals are to clinical centres (compared to 33% in 2010), 19% to clinic hospitals (compared to 20% in 2010), about 8% to special hospitals (12% in 2010) and 35% to public hospitals (12.5% in 2010), with the highest concentration of acute admissions still being in the region of Skopje (about 47% of all admissions in the country).

The participation in Healthgrouper, an international project for sharing health care information, was recently announced in Macedonia. This project aims to collect health care data and other information related to health care systems in South-Eastern Europe, which refers to health care providers, offered services and medical professionals. Data used as a source of information are from conducted surveys, official sources and data provided voluntarily.

A recent report shows that physicians are dissatisfied with the reforms in the health care sector in Macedonia. The conducted survey revealed that 75% of the doctors are dissatisfied with the reforms implemented in the health care sector; 45% of the doctors consider changing their workplace (out of which 57% consider going abroad, 31.4% consider moving from public to private, 11.6% even consider changing their profession). Most satisfied are doctors working in the private sector, which has no contracts for services with the HIF.[69]

Health outcomes are followed through trends of the basic health statistic indicators, mainly reported by the Public Health Institute (PHI). The Report on Health 2010 concludes that the health of Macedonians has a continuous (unvarying) health status in the last years, which is very similar compared to the health status of the population in countries of South-Eastern Europe. Access to health services is adequate, because there is a well developed network of health institutions. Still, the health status is characterised by a high prevalence of chronic diseases, due to unhealthy behaviours and lifestyles of the population and the processes of globalisation and urbanisation. The young population faces the consequences of harmful behaviour: smoking, alcohol consumption and other substance abuse, unhealthy nutrition, risky sexual behaviour, which leads to diseases of dependence and infective diseases (such as Hepatitis C and HIV and other sexually transmitted diseases). Macedonia is implementing world and European strategic goals for the development and enhancement of health: recommendations from the WHO defined in the Strategy Health for All in the 21st Century, UN Millennium Development Goals (MDGs), declarations for the rights of women and children, documents for the rights of minorities, marginalised and vulnerable populations, rights of the patients, protection of the environment, food and water safety, health and security at work and rapid alert of the country in emergencies and crises. It is important to sustain a balance between the financial stability and investments in health. It is of absolute necessity to increase funding in both sectors to aim at achieving the selected goals[70].

However, inequalities in health care service provision were mentioned in the Project for Reducing Health Inequalities in Antenatal and Postnatal Care of Romani Women in the Republic of Macedonia, as a Policy Action Brief by the Open Society Institute New York and Roma Health Programme. This project tackles the issue of right to health with focus on reproductive health of Roma women. Findings of the project show disadvantages and inequalities in access to quality health care services for the female Roma population. Recommendations in the policy are towards improving future access in the system of health care provision in the area of reproductive health.[71]

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[69] Physicians dissatisfied with the reforms in the health care sector in Macedonia. Healthgrouper research unit. 8 February 2012. http://healthgrouper.com/documents/4417/PressReleaseDoctorSatisfaction-EN.pdf.

[70] Health and Health Protection of the Population in Macedonia, Public Health Institute, 2010.

[71] Reducing Health Inequalities in Antenatal and Postnatal Care of Romani Women in the Republic of Macedonia Policy Action Brief. Katerina Shojikj. National Roma Centrum. Skopje, 2011.

Another brief research comments on effects of two governmental measures to fight against some inequalities in health: the adopted Law on Patient Rights and implemented reference pricing of pharmaceuticals. The aim of the selected interventions was to decrease some noted inequities in health care. The study assesses the impact of the interventions through media reporting, medical community responses and patient satisfaction (responses). The conclusion, as shown in this research, reveals that the implementation of the Law on Patient Rights has not achieved its purpose yet. And the reference pricing system only shifted the burden of financing from the HIF towards patients, in the form of increased co-payments for pharmaceuticals. More specific studies need to be designed and carried out to assess the impact of specific policies on equity in the health care system in Macedonia.[72]

As stated in the Government's four-year (2012-2015) Health Care Programme, several aspects are in the focus of health care reforms:

1. Raising the health service quality at all levels; this envisages different aspects in promoting and improving quality standards for the provision of health care services at all levels.
2. Strengthening primary health care and prevention, promoting the primary health care system through quality services provided by an organised network of public health care institutions for urgent, primary and preventive health care.
3. Stable system for financing of health care, with improved financing and an inflow of additional funds, based on relevant data obtained for the expenditures in health care. The possibility of redefining the health care service packages will be reviewed.[73]

2.3.5 Critical assessment of reforms, discussions and research carried out

If we look at the overall financial situation of Macedonia and projections of expected economic growth, the health care sector is not sustainably financed. Financial aspects (at micro and macro level) have not deprived the overall financing of health care. Despite a relatively calm economic and financial situation, health care financing, as seen as financing of public health care services through the national insurance scheme, reflects shortages, both in financial and in human resources. So far, the possibility of supplementary insurance and introduction of private insurance has been mentioned several times, but the real possibilities of eventual implementation never tackled. From the last data on debts of public HCIs for 2010 and 2011, it is evident that shortages in financing of health care are compounded by inappropriate management and oversized structure of the system. On the other hand, private sector institutions are rapidly emerging, providing better conditions (in terms of facilities and equipment) for the provision of health care services. Thus, inequalities in access to health care services for the population have started to appear in terms of location, available equipment, reliable human resources and possibilities for payment.

HIF financing is shackled by limited resources and limited revenues. Even though financial reports of the HIF show liquidity and no depths, the struggle and difficulties lie with the public HCI. None of the mentioned reform steps in redistributing available funds of the HIF and rationalisation of expenditures managed to solve the shortages of funds. BBP is wide and imprecise. Many attempts to decrease and rationalise it have failed. Hospitals are in a similar situation, with oversized facilities on the one hand, and a lack of provision of efficient health care services on the other.

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[72] Lazarevik V. Policy Interventions to Tackle Health Inequities in Macedonia: Patient Rights and Reference Pricing of Pharmaceuticals. Maced J Med Sci. 2010;3(1):57-60.

[73] Programme on Health Care 2012-2015. Government of Republic of Macedonia. http://vlada.mk/node/272?language=en-gb.

Medical professionals are migrating towards the private sector, because of higher salaries and better working conditions, which again leaves public HCI inadequately equipped with professional medical personnel. The last initiative of the government for the provision of sophisticated medical equipment, training for medical staff and additional new jobs for specialists in the public health care sector still leaves doctors and patients with high levels of dissatisfaction. Private-public partnerships in health were announced by the government as a possible solution in strengthening the health care sector. However, the law on public-private partnerships in health has been a draft version since 2009.

The burden of disease does not show any shifting towards the ageing population. Statistics derived from the reporting of hospitals show that service provision for the elderly (aged over 65) was limited to 21% of provided services. However, the main causes for morbidity and mortality of the Macedonian population are chronic non-communicable diseases.

A serious rural-urban divide with regard to access to and provision of adequate health care can be observed. This is supported by the still existing overload of clinic hospitals in Skopje and the number of transfers of patients from regional hospitals to Skopje clinic hospitals.

The health care sector has to be appropriately analysed, bearing in mind the structure of the system, the network of existing health facilities, data on demographic trends of the population, morbidity, mortality, demand side and consumer side and realistic possibilities of provision of services. So far, realistic performance indicators for the evaluation of performance of the system at all three levels have neither been developed nor implemented. Realistic financial estimations of costs versus expenditures have not been made. An evaluation of the sustainability of the system has to be performed, with critical appraisal of its effectiveness and efficacy. Professional associations and civil initiatives (in terms of patients' and non-governmental organisations) have to be included in decision-making regarding reform steps and policy formulation. Strong international support and advice has to be appropriately evaluated and included in further reform steps.

2.4 Long-term Care

2.4.1 The system's characteristics and reforms

"The OECD has defined long-term care as "a cross-cutting" policy issue that combines a range of services for persons who are dependent on help with basic activities of daily living (ADLs) over an extended period of time. Elements of long-term care include rehabilitation, basic medical services, home nursing, social care, housing and services such as transport, meals, occupational and empowerment activities, thus also including help with instrumental activities of daily living".[74]

"The existing system of long-term care in the Republic of Macedonia consists of an institutionalised system of social and health care services provision, and some services provided on community level. The scope of service provision is specified in the Laws on Health Protection, on Health Insurance and on Social Protection. The existing legal provisions are covering long-term care protection in terms of service provision to elderly persons, persons with physical or mental disabilities and deprived populations in need of assistance in carrying out daily activities."[75]

[74] Direct quotation: Dimitrievska V., The model of long-term care, June 2010.
[75] Direct quotation: Dimitrievska V., The model of long-term care, June 2010.

The National Strategy for Elderly People 2010-2020 was adopted by the Ministry of Labour and Social Policy in June 2010. The strategy focuses on the elderly population (over 60 years of age) and envisages joint activities in support of the ageing population.

The new Minister of Labour and Social Policy, Spiro Ristovski, took his position in July 2011. A lawyer by professional training, he came from the position of Deputy Minister in the same Ministry. He took over and continued positive policies and trends towards improving social protection in the country.

The four-year (2012-2015) Social Policy of the Government foresees achieving sustainable economic development through good social protection of the most vulnerable layers of the population. In the part "decent life for pensioners and social partnership", the following developments are anticipated: opening of 12 food banks for old and frail persons in rural areas (by 2015), opening of five regional elderly residential care homes with a capacity of 50–100 users through a public–private partnership in four municipalities, opening of four elderly day-care centres and clubs for seniors, opening elderly home care centres in five municipalities and operationalisation of the measures and activities of the National Strategy for the Protection of the Elderly (2010–2020), with a special emphasis on opening local social services in collaboration with the municipalities and civil society organisations.[76]

Demographic trends and population migration

Estimations made by the UN expect a decrease of the total population in Macedonia, basically due to the decreasing fertility rates (-0.2% for the period 2010-2015). Along with a decrease of the total population in Macedonia, the UN estimates an increase of the ageing population as a share of the total population. Estimations show an increase of the share of the elderly population (over the age of 60) from 16.5% in 2009 to 33.0% in 2050. The gender structure of the elderly population is 46% males versus 54% females.

In terms of number of inhabitants (density of population per km^2), the average density of population in Macedonia is 79.6 inhabitants per km^2, but the region of Skopje has a density of 329 inhabitants per km^2. Macedonia experiences a significant internal migration of the population, most of which occurs towards the region of Skopje. Therefore, the concentration of the majority of the population is in the capital of the country, while depopulation affects rural areas. The migrating population is predominately young, while elderly people remain left behind in rural areas.[77]

Morbidity and mortality trends of ageing population

In Macedonia, mortality and morbidity rates from chronic non-communicable diseases are increasing. Especially rates for morbidity and mortality from circulatory diseases have increased. However, the leading cause of mortality in Macedonia remains circulatory diseases (about 58%).

This trend is due to the increased share of the ageing population in the total population and, therefore, an increased number of mortality deriving from the ageing population. According to data from the State Statistical Office, this trend stems predominately from the combined factors of decreasing fertility rates and increasing life expectancy (decreased overall mortality rate).

Regarding morbidity trends, the situation is very similar, with respiratory diseases being the leading cause of morbidity.[78]

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[76] Programme on Social Care 2012-2015. Government of Republic of Macedonia. http://vlada.mk/?q=node/268&language=en-gb.

[77] National strategy for elderly 2010-2020, MLSP.

[78] Hospital morbidity in 2008 and 2009. PHI 2010.

Economic impact

An increasing number of elderly requires the provision of services in health and social care, which then often represents an increase of the total expenditure. There has been an evident decrease of living standards within the population during the last years, especially within the elderly. Poor health conditions of the elderly lead to an almost complete exclusion of elderly people from society. This is in line with the information from the Ministry of Health, which points out the difficulties of elderly insured people to buy drugs and pay for health services. Thus, elderly people are in a situation of unequal access to basic health services and essential drugs. An ageing population puts an additional economic burden on the state, with regard to providing specialised health and social services for chronic diseases, rehabilitation and palliative care.

Social protection of elderly

As part of the activities of social protection, the Law on Family envisages obligations of the children to provide financial support to financially compromised parents, even when living separately or living in an institution.[79] According to the Law on Social Protection, old people without financial support who do not have any property or rights on properties and cannot obtain protection as defined in the Law on Family can obtain rights for social protection on several levels.[80]

Institutional care is organised for elderly who cannot take care of themselves and live in families (conditions) where there is no other possibility in providing care and protection. In Macedonia, there are four public institutions for care of the elderly.

The total capacity of homes for elderly people is 567 beds. Out of them, 215 people are accommodated by the Ministry of Labour and Social Policy, according to the Law on Social Protection.

In accordance with the Law on Local Self Government[81] and the amended Law on Social Protection from 2009, only the geriatric centre in Skopje is a public institution, while the other homes operate under the auspices of local self-government. Following the process of decentralisation in provision of social services, the MLSP licensed two institutions for care of the elderly through applied public-private partnerships. Moreover, there is an initiative for the transformation of legal subjects who operate as social care providers into institutions for systematised social care protection, which should increase the number of available institutions by 7. Estimations indicate that institutional social care covers about 0.5% of all elderly people in Macedonia, despite European recommendations for coverage of 3-5% of the elderly population.[82]

As stipulated in the Law on Family, children have to be advised and additionally encouraged to provide support to financially compromised parents, especially when the care for the elderly is questioned. The values of home-based provision of care need to be advocated, promoted and endorsed.

2.4.2 Debates and political discourse

The main political discourse for future development of long-term care services is elaborated in detail in the National Strategy for Elderly People 2010-2020 by the MLSP. This strategic document provides a comprehensive approach in defining and implementing social and health

[79] Law on Family, official Gazette 84/08, Art. 181.
[80] Law on Social Protection, Official Gazette No. 79/2009.
[81] Law on Local Self-government, Official Gazette No. 5/2002.
[82] National strategy for elderly 2010-2020, MLSP.

care services. The overall vision of the strategy emphasises an improvement of the quality of life of the elderly, the improvement of their socio-economic status, access to resources in the living environment and social and community integration, as well as respecting the right of individual choice.

In 2012, the government will announce the four-year Programme for Social Care. This Programme foresees the operationalisation of the measures and activities of the National Strategy for the Protection of the Elderly (2010–2020), with a special emphasis on opening local social services in collaboration with the municipalities and civil society organisations.

The implementation of the strategy will be through introduction of the basic principles of independence, community activity, protection (formal and informal), self-fulfilment and dignity for elderly people.

Ways and means for the implementation of the strategy include promotion, respect and protection of human rights; long-term planning; continuity of work and sustainability of interventions and results; long-term horizontal orientation, including activities of several ministries; inter-sector and inter-resource collaboration; collaboration with the non-governmental and private sector (as public-private partnerships); promotion and inclusion of local institutions; legal framework adjustment; promotion of family support (active policies for family support) and inter-community collaboration.

The implementation of the strategy should be through the establishment of an efficient system of financing, which has to include the state budget and the budgets of local self-governments, resources from different governmental funds, funds from non-governmental organisations and donation programmes and other international financial institutions.

For an appropriate implementation of the mentioned activities and an adequate promotion of defined principles, it is of essential importance to realise an active involvement of the Ministry of Health and other related ministries and obtain strong support from the government.

Major debates have not been undertaken. Some media reported on extremely poor housing and health conditions of recipients of social benefits, socially deprived people and homeless people in the community.

2.4.3 EU impact policies on long-term care

The national strategy for elderly people of the Republic of Macedonia is in line with the other national policies of the country, as well as with the legal framework of the EU. The strategy values the human right to individual choice in the context of essential rights of the current population and the needs of the future population. It enables the country to build equal possibilities for the development of individuals through socio-economic developments. Thus, the strategic goals of the country can be warranted and fulfilled: moving towards values, standards and social rights which are characteristics of the European Region, especially regarding the Strategy for Sustainable Development of the EU (2001, 2006), the revised Lisbon Strategy (2000), the Madrid Action Plan for Ageing (2002) and the last Conference on Ageing (UNECE, 2007).

2.4.4 Impact assessment

Health insurees have the right to freely choose a family doctor at primary level of health protection and, if hospitalisation is required, they can choose the hospital or specialist care. Most of the difficulties elderly people face are with regards to the access to services, their rights as patients as well as obtainment of the right to continuous financing of help from third persons. This is mainly due to the current practices in health and social care provision, a lack of

available and reliable information (general and on rights to services) and geographical distance to health and social care facilities. Research on the use of social services shows that 12.8% use continuous financial support from the state, 11.3% use funds for care and assistance for help from third persons and 0.2% use daily or temporary accommodation in institutions or foster homes.[83]

Bearing in mind the fact that only 0.3% of the elderly population is accommodated in institutions, the growing need of an improved and strengthened system of homes for elderly and increased capacities of the institutions is evident. Palliative care is in the first stages of implementation. Only two centres for palliative care are operational in Macedonia: hospices Sue Rider in Skopje and Bitola with a total capacity of 150 beds. Regarding the statistical data on prevalence of neoplasm as the main cause for morbidity and mortality of the population, palliative care needs to be improved and strengthened, in line with the real needs of the population. Existing homes for the elderly have no specific programmes and departments for palliative care; therefore, a nation-wide network for the provision of an interdisciplinary approach of palliative care is a necessity.

Home-based support to elderly persons through the provision of home care services to individuals was initiated in 2009 as a joint activity of the MLSP and NGO Humanity in Skopje. Beside this initiative, there is a strong need for organising qualified systematic support and help for the elderly as home-based or community-based assistance.

Day-care centres for elderly and homeless people operate separately within the country. Their work consists mostly of community-based provision of services at the level of local self-government. Unfortunately, those are still isolated initiatives and represent only the beginnings in the organisation of access to home or community-based services for social assistance.

2.4.5 Critical assessment of reforms, discussions and research carried out

In general, there is an existing network of health and social care services of the country, as well as partially systematised special care for the elderly (homes for the elderly and hospices). However, there are still difficulties in obtaining the needed services, as well as a lack of an adequate network of services (organisation and appropriate structure). Yet, the Strategy for Elderly People of the MLSP draws the paths of recognition, organisation and, finally, implementation of appropriate health and social care services.

In realisation terms, most of the barriers to enabling appropriate care are the lack of information for citizens on existing services and their rights, and the geographical distance to selected facilities (health care centres and institutions), particularly for people from rural areas.

Deinstitutionalisation, in light of a decentralisation policy, is present both in health care and social protection services. Some service provision is partially organised at community level or home-based, mostly through local self-government. However, the national scope, as well as a structured approach, is lacking. The issue of weak quality of service provision remains, because of insufficient numbers of specialised professionals for elderly patients, a lack of multifunctional teams and approaches to treatment, a lack of adequate and appropriately equipped facilities and long waiting lists for admission to institutions.

The sustainability of long-term care needs to be separately projected and reviewed, especially in respect of continuous financing and possibilities of revenues. Despite the provision of some of the needed funding and resources by the state (funds for pension insurance), the majority of services are privately financed. Thus, the socially deprived population may have limited or no access to those services. Respecting the trend of population ageing and projections made, long-

[83] Dimitrievska V., The Model of Long-term Care, June 2010.

term care needs to be taken into serious consideration when planning health and social care budgets of the state. This also includes possibilities of not only empowering the services, but also widening the scope and range of provision.

It has to be taken into consideration that service provision at institutional level needs more resources (financial and human) than other forms of service provision. Therefore, in the long run, the institutionalisation of long-term care needs adequate financial sustainability. Moreover, the need for development of supplementary forms of service provision has to be taken into account, as well as the allocation of additional funds for this purpose and the search for additional forms of funding.

2.5 The role of social protection in promoting active ageing

2.5.1 Employment

According to the data presented in August 2011 in the National Employment Strategy 2015, there was a continuous increase in the employment rate in the period from 2005 to 2010 (15-64 years of age), from 37.9% in 2005 to 43.5% in 2010. Despite the economic crisis that hit the Republic of Macedonia, the employment rate in 2010 was 2 percentage points higher. The age group 25-49 years had the highest employment rate in 2010, with 55.7%, while the lowest rate of 15.4% belonged to those aged 15-24. The employment rate of the elderly (55-64 years) was 34.2% in 2010, while the target for 2015 is set at 41%. The data on the employment of women in the age group 15-64 showed 34.0% in 2010, with the national target for 2015 being 42%.[84]

Further improvement of the labour force employment indicators depends on the implementation of a comprehensive macroeconomic policy, faster economic growth and investments, as well as institutional, legal and administrative adjustment of the employment policies. The longer the employees are present on the labour market the more wages they earn, which can be spent after retirement. The raising of the retirement age limit prolongs working lives, especially with the ageing of the population and increased life expectancy. Since its independence, the Republic of Macedonia has already increased the age limit twice. The first time in 1994, from 60 to 63 years for men, and from 55 to 60 for women, and the second time in 2000, increasing the age limit to 64 for men and to 62 for women.

It is important to provide equal opportunities for increased employment of the elderly (aged 55-64). The transition process and their inadequate qualification, compared to the contemporary labour market needs are the main reasons for this situation.

In 2011, in order to include these groups in the market, the Ministry of Labour and Social Policy adopted an operational plan on active employment measures and programmes, with a subsidy programme for employment of elderly people, for training, prequalification, etc. From a gender point of view, it is necessary that the policies for higher employment include measures which provide for the future process of EU legislation harmonisation and adjustment for equal gender opportunities, the design of programmes for education and training, and which encourage women entrepreneurship, etc.

In accordance with the current Law on Pension and Disability Insurance, a person can retire if he/she meets the following conditions: has reached 64 years of age (for man) or 62 (woman) and at least 15 years of working career. According to this law, the retirement is not mandatory, unless the employer terminates the employment contract. The Labour Law stipulates a

[84] Ministry of Labour and Social Policy, National Employment Strategy by 2015, Skopje, published in August 2011, retrieved from: http://www.mtsp.gov.mk/WBStorage/Files/nsvrabotuvanje.pdf.

mandatory retirement at 65 years, with at least 15 years of career.[85] Thus, upon the employee's request, the employer may extend the employment contract to the maximum age of 65 years of the employee. This law does not differentiate by gender, because the retirement condition is equal for men and women, unlike the Law on Pension and Disability Insurance.

2.5.2 Participation in society

In 2007, the Republic of Macedonia passed a Law on Volunteer Work[86], regulating this area. Volunteer work is described as an activity of interest to the Republic of Macedonia, which contributes to the improvement of quality of life by active inclusion of people in the social life, and which contributes to the development of a human and equitable democratic society. Volunteers offer their services, knowledge and skills without financial compensation. Volunteer workers' expenses for transportation, food and accommodation and for professional hazard insurance are covered by the organisation they volunteer for.

2.5.3 Healthy and autonomous living

On the one hand, evident progress has been made towards the improvement of the lives of elderly people. As announced by the MLSP and the government in the Strategy for Elderly People and the Programme for Social Care, improvement of the social protection system by 2015 is envisaged in terms of improvement of the social support network for elderly people. These improvements in social support are seen as strengthening the network of social services to support elderly people, home-based support as well as opening care homes for elderly people.

On the other hand, health care service provision has not been "moved towards" the elderly population. Recently, an initiative of joint teams of social workers and patronage workers for the support to elderly people was started by the Ministry of Health and MLSP. Yet, the initiative has neither been formalised nor officialised as a collaboration between the two ministries.

[85] Labour Law, published in the Official Gazette No. 158 of 09 December 2010, retrieved from: www.mtsp.gov.mk.

[86] Law on Volunteer Work, published in the Official Gazette No. 85 2007, retrieved from: www.mtsp.gov.mk.

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WHO EURO (2005). Highlights on Health in the Former Yugoslav Republic of Macedonia. Retrieved in January 2011 from: http://www.euro.who.int/__data/assets/pdf_file/0017/103607/E88391.pdf.

3 Abstracts of Relevant Publications on Social Protection

[R] Pensions
- [R1] General trends: demographic and financial forecasts
- [R2] General organisation: pillars, financing, calculation methods or pension formula
- [R3] Retirement age: legal age, early retirement, etc.
- [R4] Older workers activity: active measures on labour market, unemployment benefit policies, etc.
- [R5] Income and income conditions for senior workers and retired people: level of pensions, accumulation of pensions with earnings from work, etc.

[H] Health
- [H1] Health expenditures: financing, macroeconomic impact, forecasting, etc.
- [H2] Public health policies, anti-addiction measures, prevention, etc.
- [H3] Health inequalities and access to health care: public insurance coverage, spatial inequalities, etc.
- [H4] Governance of the health system: institutional reforms, transfer to local authorities, etc.
- [H5] Management of the health system: HMO, payments system (capitation, reimbursement, etc.)
- [H6] Regulation of the pharmaceutical market
- [H7] Handicap

[L] Long-term care

[R] Pensions

[R1; R2; R5] AGENCY FOR SUPERVISION OF FULLY FUNDED PENSION SYSTEM, "Годишен извештај за 2010 година за состојбите во капитално финансирано пензиско осигурување", April 2011, Skopje, retrieved from:

http://www.mapas.gov.mk/wbstorage/files/Izvestaj%20KFPO%202010mk.pdf

"Annual Report on the Developments of the fully funded Pension System in 2010"

This report is full of statistical data and consists of reduced analysis compared to the annual report, but its intention is to follow the most important parameters regarding the developments in fully funded schemes in more frequent periods. Therefore, this report informs in detail about the membership, with focus on the total number and paid contributions by each fund in mandatory and voluntary funded pillars. Furthermore, the statistical report includes data on the investment performance, the value of the accounting units and various graphs, tables and pictures on the relevant developments.

Note: Considering that the "Report on the Developments of the Fully funded Pension System in 2011", was not published at the time of preparing this asisp Report, the data used here are from the "Annual Report on the Developments of the Fully funded Pension System in 2010 published in 2011".

[R2] EUROPEAN COMMISSION, Работен документ на Комисијата-Извештај за напредокот на Република Македонија за 2011, Brussels, 9 October 2011, page 37 retrieved from: http://www.sep.gov.mk/content/Dokumenti/EN/mk_rapport_2011_en(1).pdf

"Commission Staff Working Document-The Republic of Macedonia 2011 PROGRESS REPORT"

The Republic of Macedonia is a non-EU country (with a candidate-country status waiting to join the EU countries) and is, therefore, subject to annual evaluation of the progress in fulfilling given benchmarks. In Part 4. Ability to assume the obligations of membership, 4.9. Chapter 9: Financial Services, of the Progress Report-2011, it is noted that the financial independence of MAPAS was not fully ensured, despite the separation of the MAPAS budget from the Ministry of Finance, which still gives prior approval regarding the management of MAPAS assets. No previous experience related to financial supervision or capital markets is required for appointment to the MAPAS management. Its overall administrative capacity is weak, and

exposed to turnover of experienced staff. MAPAS has limited leverage over the institutions it supervises. In the area of insurance and occupational pensions the country partially meets its objectives". Further, the EC points out that "the country's pension scheme, which is based on defined contributions, differs from the model applied in most of the EU countries; hence the respective EU *acquis* for supervision of the institutions for occupational retirement provisions cannot be applied".

[R5] STATE AUDIT OFFICE Конечен извештај за Ревизија на Фондот на ПИОМ за 2010 година, October 2011, Skopje, retrieved from:

http://www.dzr.gov.mk/Uploads/2010_Fond_PIOM.pdf

"*Final auditing report on PDIF of 2010*"

The State's Audit Office in the Final report comments that the plunge of the fund's revenues is a consequence of the decreased contribution rate in a period of economic crisis and increased unemployment rate. The auditor concludes that in 2010 there was an increase of loans from the state budget and, therefore, the deficit for that year reached 34%, compared to 23.6% in 2001.

[R2] APOSTOLSKA ZORICA, Friedrich Ebert Stiftung I Filozofski Fakultet, Придонесот и предизвиците на супервизијата на капитално финансирано пензиско осигурување во Ревијата за Социјална Политика бр. 8, December 2011, Skopje, retrieved from:

http://www.fzf.ukim.edu.mk/files/revija%205%20finalna.pdf.

"*The contribution and the challenges for the supervision of the fully funded pension insurance in the Republic of Macedonia in the Review for Social Policy No. 8*"

In this review, the author criticises the status of the Agency for Supervision of Fully Funded Pension Insurance (MAPAS), the supervisory and regulatory body of the fully funded pension system. In its ten years of existence, this institution faced the challenge of insufficient independence, which, subsequently, led to interruption in the continuity of its operations. In order to achieve a higher level of independence and to eliminate the political factors that influence the independence, the author finds that further changes and reforms are needed, by which the managing bodies of MAPAS would be elected by an authority independent from the executive government, i.e. the Parliament of the Republic of Macedonia.

[H] Health

[H1; H5] HEALTH INSURANCE FUND OF THE REPUBLIC OF MACEDONIA (2010). Годишен извештај за 2009 за работењето на Фондот за здравствено осигурување на Република Македонија и анализа на економско – финансиско работење на фондот и здравствените установи. Retrieved in January 2012 from:
http://www.fzo.org.mk/WBStorage/Files/Godisen%20izvestaj%20za%20rabotenjeto%20na%20FZOM.pdf

"*Yearly Report for 2009 for the work of the Health Insurance Fund of the Republic of Macedonia and analysis of the economic-financial performance of the Fund and Health Institutions*"

This is a yearly publication of the HIF which gives public information of the structure of the revenues and structure of the expenditures. This report also covers all health expenditures in regional branches of the HIF and per health institution.

Note: At the time of preparation of this report, the latest yearly report for 2011 was not published, therefore data used on health expenditures are for 2010.

[H1; H5] HEALTH INSURANCE FUND OF THE REPUBLIC OF MACEDONIA (2011). Анализа на реализацијата на средствата на ФЗОМ и на буџетите на ЈЗУ во периодот јануари-септември 2011. Retrieved in February 2012 from: hhttp://www.fzo.org.mk/WBStorage/Files/Analiza%20na%20real%20na%20sred%20od%20budzet%20na%20FZOM%20i%20budzet%20na%20JZU%20Jan-Sep%202011.pdf

"Analysis of the realisation of funds from the fund and budgets of PHI in the period January-September 2011"

This is an informative publication of the HIF where analysis of the expenditures of HCI is presented. In addition, systematisation of revenues vs. expenditures of public HCI is presented. This information has informative character and is used as a basic financial performance indicator for public HCI.

[H1; H5] HEALTH INSURANCE FUND OF THE REPUBLIC OF MACEDONIA (2011). ДСГ – Дијагностичко сродни групи, извештај за периодот јануари – септември 2011. Retrieved in February 2012 from: http://www.fzo.org.mk/WBStorage/Files/Pregled_jan_sep-2011%20DSG.pdf

"DRG – Diagnostic-Related Groups, Report for the Period January – September 2011"

This report is prepared by the Working Group of the HIF on DRG implementation. The report explains the system of DRG, giving basic information on the structure of the system, used terminology and approach for drafting groups. Also, comparison of results is made in accordance to the same data from previous years. Information from hospitals presents basic statistic health parameters, such as morbidity and mortality in public hospitals, transfers, treatment provided and complexity of treatment (in terms of complexity per hospital, per group and nationally). The report provides essential information for analysis of the actual use of health services in hospitals in Macedonia.

[H3; H4] LAZAREVIK, Vladimir. Креирање политики за подобрување на пристапот до здравствените услуги на населението: Расчекор меѓу желбите и практичната примена. Ревија за социјална политика. Година 3, бр.5. Скопје, Јули 2010. Retrieved in December 2011 from: http://www.fzf.ukim.edu.mk/files/revija%205%20finalna.pdf

"Health policies to improve access to health care services for the population: gap between the desires and practical implementation"

Creation of health policies aimed to improve the access to health care services and to decrease private expenditure should be supported with detailed analyses and careful system planning. Otherwise, our experiences suggest that, contrary to the expectations, the effects may violate the right to equal access to the health system of the population and to increase the inequities in health.

4 List of Important Institutions

Агенција за супервизија на капитално финансирано пензиско осигурување (МАПАС)-Agency for Supervision of Fully Funded Pension Insurance (MAPAS)

Contact: Anastasija Trajkovska, Head of Administrative and Financial Affairs and IT Sector
Address: Vasil Glavinov b.b Intex Biznis Centar 2, 1000 Skopje, Republic of Macedonia
Email: anastasija.trajkovska@mapas.gov.mk
Webpage: http://www.mapas.gov.mk
Phone: + 389 (2) 3224 229
Email: anastasija.trajkovska@mapas.gov.mk

MAPAS is a public institution with a regulatory and supervisory role, established to supervise the operations of pension companies and pension funds, to protect the interests of pension fund members and to stimulate the development of the fully funded pension insurance. The agency performs the following activities: grants, withdraws and abrogates licences for establishment of and approvals for managing pension funds; supervises the operation of pension companies and the pension funds under their management and, especially, controls their legal operation; supervises the operation of legal entities acting as custodians or foreign asset managers of pension fund assets in relation to operating with such assets; promotes, organises and enhances the development of the funded pension insurance in the Former Yugoslav FYR Macedonia, in cooperation with the Ministry of Labour and Social Policy. MAPAS is also responsible for the development of public awareness on the purposes and operating principles of the pension companies and the pension funds, on the benefits from pension fund membership, on the rights of pension fund members and other issues relating to the pension fund system. The agency has active procedural legitimisation and may intervene, either directly or indirectly, in any process against a pension company and any entity or entities in a legal relationship with the pension companies, when such action is necessary for the purpose of protecting the interests of the pension fund members.
Publications: Annual Report on the Developments in the Fully Funded Pension Insurance (annually:2006-2010); Annual Statistical Report (annually: 2006-2010); Quarterly Statistical Report/ (quarterly in years: 2006-2010); Monthly Bulletins and daily information on the value of the pension fund accounting unit.

Државен завод за статистика-State Statistical Office

Contact: pcal@stat.gov.mk ; info@stat.gov.mk ; publicum@stat.gov.mk
Address: "Dame Gruev" 4 - Skopje, Republic of Macedonia
Webpage: http://www.stat.gov.mk
Phone: +389 2 3295 600

The State Statistical Office is a specialised and independent organisation within the state administration in the FYR Macedonia. The basic functions of the institution are collecting, processing and disseminating statistical data about the demographic, social and economic situation of the Macedonian society.
Publications: There are various publications and catalogues published on the on the website http://www.stat.gov.mk/english/publikacii_eng/PublikaciiGlavna_eng.htm.

Фонд на пензиско и иннвалидско осигурување на Македонија (ФПИОМ)-Pension and Disability Insurance Fund (PDIF)

Contact: Atans Mancev, Head of IT Sector, phone:389 76 338 980

Address: Vladimir Komarov bb, 1000 Skopje, Republic of Macedonia
Webpage: http://www.piom.com.mk/
Phone: + 389 (2) 3250 100

PDIF is a public institution, which undertakes centralised collection and allocation of contributions and gathers relevant data for members of the selected pension funds and companies. PDIF's main activities are: implement policies on development of pension and disability insurance; follow and study the area of pension and disability insurance; propose steps aimed at improving the pension and disability insurance system; suggest the size of pension and disability insurance premiums; ensure the efficient use of the funds needed for securing pension and disability insurance rights; issue an annual report on the work of the fund's special service; regulate the rights, commitments and responsibilities of the administrative authority, the director, and the special fund service; implement international agreements and agreements between countries in the area of pension and disability insurance; and others.
Publications: Annual Reports of PDIF Activities; Actuarial Report for 2004, 2006, and 2008, 2009 and statistical data on pension payouts (monthly).

Фонд за здравствено осигурување на Република Македонија (ФЗОМ)– Health Insurance Fund of the Republic of Macedonia

Contact: Branko Adzigogov, spokesman
Address: Makedonija bb, 1000 Skopje
Webpage: http://www.fzo.org.mk/

The Health Insurance Fund of the Republic of Macedonia is established based on the Health Insurance Law as an individual financial Institution with rights and obligations for conducting an obligatory health insurance in Macedonia. The Fund performs activities of public interest and conducts public authorisations determined by the Health Insurance Law. With this Health Insurance Law, the Fund has the rights, obligations and responsibilities to plan and collect funds from contributions for obligatory health insurance, with general acts to determine more closely the manner of exercising the rights and obligations of insured persons, to pay health care services and cash benefits, to take measures for efficient, effective and economical use of resources, and other rights and obligations within the compulsory health insurance. In 2009, the HIF conducted numerous reforms for improvement of the health protection and insurance. The main reform that was made and continues in 2010 is the process of transformation of the Fund from an institution which finances the work of the public health to a buyer of health care services.

Институт за Јавно Здравје – Public Health Institue (PHI)

Contact: Office for Public Relations
Address: 50. Divizija br.6, 1000 Skopje
Phone: +389 2 3125 044
Webpage: http://www.iph.mk/
Email: info@iph.mk

The Institute for Public Health with its ten regional institutes represents the public health care segment in the state, through its activities of expert opinions, supervisions and control, analytical observation and risk estimation and creation of specific opinion as general picture. In recent years serious activities have been undertaken in the creation of a contemporary system of preventive medical protection as a basic instrument of managing by defining priorities and implying suitable solutions at national, regional and local level. Aiming at meeting all these goals, PHI implements world reference standards and continually follows up

and organises trainings on analytic and diagnostic procedures for all professionals from the public health care sector.

Институт за социјална работа/Филозофски факултет-Institute of Social Work and Social Policy / Faculty of Philosophy

Contact: Maja Gerovska Mitev, Ass. Prof.
Address: Krste Misirkov bb, Box 576, 1000 Skopje, Republic of Macedonia,
Webpage: http://www.fzf.ukim.edu.mk
Email: gerovska@fzf.ukim.edu.mk

This is a public institution that educates in the field of social protection policy by preparation of analyses, research, projects, social journals and other forms of social points of view. The main subjects are: 1) Theory of Social Work. 2) Social Politics. 3) Sociology. 4) Family Law and Social Law. 5) Psychology. 6) Pedagogy.
Publications: Reviews for Social Policy.

Канцеларија на Светска Банка во Македонија-World Bank – Country Office Macedonia

Contact: Mr. Rajna Cemerska Responsible senior officer for social protection,
Address: 34, Leninova Street, 1000 Skopje
Webpage: http://web.worldbank.org
Phone: +389-2 3 11-71-59
Email: rajna.cemerska@worldbank.org

The World Bank is a vital source of financial and technical assistance to developing countries around the world including Macedonia.

Министерство за здравство на Република Македонија - Ministry of Health of the Republic of Macedonia.

Contact: Office for Public Relations
Address: ul. 50- Divizija bb, Skopje
Phone: + 389 (02) 3112 500
Webpage: http://www.moh.gov.mk/
Email: on-line contact (at the web page)

Competences of the Ministry of Health include inter alia: health care protection and health care insurance of the population; organisation and development of health; attending to the health care conditions of the population; protection of the population from contagious diseases, the influence of gases, radiation, noise, pollution of the air, water and the earth; inspection of consumer products and products for public use; inspection of hygienic and epidemiological conditions; medicines, additional medications, medical supporting assets, medical equipment, sanitary inspection of offices and materials and the performance of other activities defined by the law.

Министерство за труд и социјална политика (МТСП)-Ministry of Labour and Social Policy (MLSP)

Contact: Irena Risteska, Head of Department for pension and disability Insurance
Address: Dame Gruev, 14 1000 Skopje, Former Yugoslav Republic of Macedonia
Webpage: http://www.mtsp.gov.mk
Phone: + 389 (2) 3106 651

Email: irena.risteska@mtsp.gov.mk

The MLSP is a public institution, which is responsible for creating and implementing the policy on pension and disability insurance and for supervising the legality of operations with respect to this insurance. The MLSP is also responsible for labour market development policy, labour protection of workers during their working lives, social protection, child care, wages policy and living standard, protection of disabled persons, gender policy and other obligations defined by law.

Publications: Macedonian Social Picture, International Labour Standards, Report on Equal Rights between Men and Women.

Пензиски друштва - Pension Management Companies (PMCs)

Contact 1: PMC, KB Prvo Penzisko Drustvo-Skopje, Janko Trenkoski, President of Company's Management Board
Address: Bul."Ilinden" br.1 Skopje 1000, Republic of Macedonia
Phone: +389 (2) 3243 777
Webpage: http://www.kbprv.com.mk

Contact 2: PMC, Nov Penzisko Fond AD-Skopje
Address: "Vodnjanska" br. 1 , 1000 Skopje, Republic of Macedonia, Davor Vukadinovic, General manager
Phone: +389 (2) 5100 285
Webpage: http://www.npf.com.mk

PMCs are private joint stock companies founded by financial institutions whose only object of activity is the management of pension funds, representing them in front of third parties and other activities related to pension funds. The shareholders of the pension company, in accordance with their participation in the pension company's capital, have equal position in the pension company. The statutes of a pension company should not award any additional rights or privileges to certain shareholders, limit their rights or impose on them additional responsibilities. A pension company for managing pension funds may be founded by domestic and foreign legal entities. The founders that hold 51% of the share capital of a pension company should be banks, insurance companies, pension companies and other financial institutions or entities that, directly or indirectly, hold more than 50% of the shares of such institutions. The same legal entity may not be a shareholder of more than one pension company.

Publications: Financial Audit Report for Pension Companies and Financial Audit Report for Pension Funds (annually: 2006-2009), Financial Reports on Financial Results; Assets under Management (annually); Value of the Accounting Unit (annually), Pension Fund Return (annually).

Секретаријат за европски прашања-Secretariat for European Affairs (SEA)

Contact: cabinet@sep.gov.mk
Address: Zgrada na Vlada na Republika Makedonija, "Ilindenska" bb 1000Skopje, Republic of Macedonia
Webpage: http://www.sep.gov.mk
Phone: + 389 (2) 3200 100, 3239 165

SEA was established as a separate expert service of the Government of the FYR Macedonia in 2005, through transformation of the previous Sector for European Integration within the General Secretariat of the Government. The establishment of the Secretariat was a response to the increased needs arising from the intensified integration process of the FYR Macedonia into

the EU, for the purpose of the strategic objective of EU membership of the FYR Macedonia. EU membership, since introducing the strategic planning system in its continuity, is the Government's strategic priority, directly focused on opening EU membership negotiations. SEA provides professional support and coordination in the work of state administration authorities and other bodies and institutions, in the light of preparing the FYR Macedonia for EU membership.

Светска Здравствена Организација, Канцеларија – World Health Organisation, Country Office Skopje.

Contact:	Dr Marija Kishman, acting head of Office
Address:	Mirka Ginova 17, 1000 Skopje
Phone:	+389 2 3064 299
Webpage:	http://www.euro.who.int/en/where-we-work/member-states/the-former-yugoslav-republic-of-macedonia
Email:	office@who.org.mk

The biennial collaborative agreement for 2010–2011 between WHO/Europe and Macedonia identifies not only the priorities for action but also the results to be delivered. Scope of activities, as described in the BCA are in regard to: strengthening health systems with emphasis on health system performance and pharmaceuticals, addressing non-communicable diseases, mental disabilities, violence and promotion of healthy lifestyles, strengthening response to communicable diseases, addressing health security, emergency preparedness and response and addressing environmental health with focus on occupational health and climate change.

This publication is financed by the European Community Programme for Employment and Social Solidarity (2007-2013). This programme was established to support the implementation of the objectives of the European Union in the employment and social affairs area, as set out in the Social Agenda, and thereby contribute to the achievement of the Lisbon Strategy goals in these fields. The seven-year Programme targets all stakeholders who can help shape the development of appropriate and effective employment and social legislation and policies, across the EU-27, EFTA and EU candidate and pre-candidate countries. The Programme has six general objectives. These are:

(1) to improve the knowledge and understanding of the situation prevailing in the Member States (and in other participating countries) through analysis, evaluation and close monitoring of policies;
(2) to support the development of statistical tools and methods and common indicators, where appropriate broken down by gender and age group, in the areas covered by the programme;
(3) to support and monitor the implementation of Community law, where applicable, and policy objectives in the Member States, and assess their effectiveness and impact;
(4) to promote networking, mutual learning, identification and dissemination of good practice and innovative approaches at EU level;
(5) to enhance the awareness of the stakeholders and the general public about the EU policies and objectives pursued under each of the policy sections;
(6) to boost the capacity of key EU networks to promote, support and further develop EU policies and objectives, where applicable.

For more information see:
http://ec.europa.eu/social/main.jsp?catId=327&langId=en