



Annual National Report 2011

Pensions, Health Care and Long-term Care

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1 Executive Summary

The parametric and structural reform of the Macedonian pension system in the last two decades has resulted in a combined multi-pillar pension system. This should make it more resistant to economic changes and demographic trends, since it is structured to diversify risks, and as a result, overcome and balance out all future risks.

In the reporting period, the policy makers and the authorities did not impose any drastic austerity measures, as a response to the economic and financial crisis, though such measures would have been needed. No Green or White Papers, important programmatic publications, programmes on substantial changes or measures have been produced. Usually, these types of papers would be used to assist the policy makers in their efforts to provide a sustainable pension system and adequacy of the pension benefits. In this context, we must acknowledge the organisation of the International Conference on Pension Reforms and Future Challenges, held in April 2011 in Skopje.

The pension policy in the last period was mostly directed towards non-structural changes in the pension legislation associated with the system. Several amendments, mostly in the investment policy of the pension funds, in terms of introduction of new financial instruments (investments in municipality bonds, private pension funds, etc.) and relaxing the investment limits for pension funds assets have been made. The purpose of these changes is to increase the possibility for bigger diversification of pension funds assets and to decrease the risks from limited investing possibilities or rather small number of allowed instruments.

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. In order to keep regular pension benefit payouts, on several occasions, the central budget transferred money, which in total exceeded the amount prescribed by law. Therefore, it could be said that this demonstrated some 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 have caused deficits in the state pension funds. As a consequence of the budgetary transfers, there were changes in the pension legislation in terms of slowing down the planned decrease of contribution rates. The Law on Contributions for Mandatory Social Insurance was amended with regards to increased contribution rates for 2010 from the planned 16.5% to 18%, for 2011 from the planned 15% to 18% and from 2012 the planned 15% will be replaced with 17.5%.

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

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

Several investment policies have been introduced by the Ministry of Health aimed at improving facilities, equipment and working conditions in PHI. Moreover, some additional supportive measures regarding achieving high professional standards for medical professionals 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 burden of huge administrative apparatus are still awaiting restructuring and downsizing. Health policy changes and strategic goals should consider 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-sectoral 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 (2010 until May 2011)

2.1 Overarching developments

According to the data of the State Statistical Office, in the IV quarter of 2010, the labour force in the Republic of Macedonia numbered 954,928 persons, out of which 659,557, or 69.1%, were employed and 295,371 or 30.9% were unemployed persons. The activity rate in this period was 57.8%; the employment rate was 39.9%, whereas the unemployment rate was 30.9%¹. In 2009, the percentage of poor people in the Republic of Macedonia was 31.1%.

Analysed by profiles, the most vulnerable groups are multi-member households, bearing in mind the fact that 53.7% of the poor people live in households with 5 and more members. The poverty rate for the unemployed is 40.5%, i.e. 42.7% of all poor people are unemployed². This data demonstrates that the social sector, or rather the labour market, which was affected by the crisis, is recovering slowly, and it will take more time to heal.

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 economical crisis³. 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 regard to the pension system. The Macedonian authorities have not yet disclosed what precisely will be consolidated from the recently withdrawn first tranche of EUR 200 million.

In the reporting period pension system reform strategies had a modest and limited influence in regards to future reorientation of the system. This is because there were no significant or long-term strategies, except for the changes in the pension legislation in terms of a slowing down of the planned decrease of contribution rates in the next few years.

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. Besides the issue on the risks from the demographic and economic movements, the conference paid due attention to the future challenges related to the Macedonian pension system.

The following activities were presented as future steps:

- Design of pensions and pension benefit payout from the fully-funded pension insurance
- Multi-funds introduction
- Risk-based supervision

¹ Active Population Results from the Labour Force Survey, 4th quarter 2010, published on 24 March 2011, retrieved from: <http://www.stat.gov.mk/pdf/2011/2.1.11.03.pdf>.

² Poverty line - news release Broj/No: 4.1.10.64, published on 13 September 2010, retrieved from: <http://www.stat.gov.mk/pdf/2010/4.1.10.64.pdf>.

³ 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.

- Focusing on the risk management by the pension companies⁴.

Regarding the challenges for improving the Macedonian pension system, the following was concluded:

- Continuous evaluation of the pension system's sustainability and need for additional reforms (increased life expectancy, increased working years?)
- Maintaining fair relationship between generations and members of the one-pillar and the two-pillar system
- Regular payment of contributions
- Decrease of unemployment rate
- Increased accent on the members' interest
- Increased diversification
- Control of administrative costs
- Protection against inflation, new instruments
- Stimulating the competition
- Liberalisation
- Increased financial education
- Increased additional pension savings⁵.

2.2 Pensions

2.2.1 The system's characteristics and reforms

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 16 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.

⁴ International Conference on Pension Reforms and Future Challenges, 12 April 2011, Skopje, retrieved from: <http://www.mtsp.gov.mk/?ItemID=FB79BA05971E2E4B920032135EE3104A>.

⁵ International Conference on Pension Reforms and Future Challenges, 12 April 2011, Skopje, retrieved from: <http://www.mtsp.gov.mk/?ItemID=FB79BA05971E2E4B920032135EE3104A>.

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 is 18% and for 2012 and beyond, it will be further reduced to 17.5%.

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 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; in the case of death less years are needed for inheriting pension rights. 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. For the contributors involved in the two-pillar system who have, for example, 20 years of paid contributions, the percentage, which will be used for calculation of the pension benefit, is 15% for men, and 17.2% for women. For 30 years of contribution, the percentage is higher, and it is 22.5% for men and 25.8% for women, which means that the pension benefit will be higher as well. The highest percentage according to which the pension benefit is calculated is 30% for 35 years of career for women and for 40 years for men. For the current employees/pensioners from the first pillar, the replacement rate is 80%, which in forty 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 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 indexation formula for the pension benefits from the first pillar is composed of 50% of the cost of living 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 cost of living index to the movements of the average wage of all employees in the previous semester.

The Macedonian laws stipulate 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.

Benefits

Benefits that 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.

Legal reforms

In the year 2010 and in the first three months of 2011, the policy makers and the authorities did not impose any drastic austerity measures, as a response to the economic and financial crisis, though such measures were needed. Precisely, the national reforms can be identified as a limited reorientation with some amendments of the related laws, which are as follows:

- Changes in the field of investment policy of the private pension funds. This reform was done by several amendments to the Law on Mandatory Fully-Funded Pension Insurance and the Law on Voluntary Fully-Funded Pension Insurance. These changes introduced new investment instruments, such as municipality bonds or other debt securities issued by the local self-government units of the Republic of Macedonia. The amendments also include relaxing of investment limits, which must not exceed 20% of the nominal value of each security issued by the issuer. In addition, the limits must not exceed 10% of the value of the assets of the mandatory pension fund and 40% of the total issued bonds of a local-self government unit⁶. The subsequent amendments introduced equity funds, derivatives, etc., as possible means of investment. With these amendments, the investments in private equity funds from the same joint stock company are limited to 1.25% of the fund's value⁷. These amendments to the law have also allowed investments in shares and units of investments funds in the EU or OECD countries that invest in derivatives, up to a maximum of 20%, exclusively for protection of the

⁶ Amendments to the Law on Mandatory Fully-funded Pension Insurance, published in the Official Gazette No. 171 of 30 December 2010 and Amendments to the Law on Voluntary Fully-funded Pension Insurance, published in the Official Gazette No. 17 of 11 February 2011.

⁷ Amendments to the Law on Mandatory Fully-funded Pension Insurance, published in the Official Gazette No. 36 of 23 March 2011.

investment fund or more efficient investments in a specific index. The purpose of these changes is to expand the possibility of diversification of pension funds assets and to reduce the risks of limited investing opportunities or rather the small number of allowed instruments.

-Legal intervention in terms of increased pension contributions. The reduced incomes of the pension fund due to decreased contribution rates and the high unemployment rate made it necessary to digress from the current policy of accelerated dynamics in decreasing the contribution rate. By the end of 2009 and in 2010, the policy makers have recognised that the accelerated decrease of the social contributions in times of economic and financial crisis have caused deficits in the social funds. In December 2010, the Law on Contributions for Mandatory Social Insurance was amended, providing for smaller decreases of the contribution rate for 2011 from the planned 15% to 18%. From 2012, the planned 15% will be replaced with 17.5%⁸.

- Legal changes in respect to increased independence of the Agency for Supervision of Fully-funded Pension System (MAPAS). The parliament adopted the amendments to the Law on Mandatory Fully-funded Pension Insurance in April and December 2010⁹, making an effort to respond to the suggestions given in the 2010 Progress Report. However, those amendments are just the first step, because they only provide for increase in the financial independence of the agency. According to the EU suggestions, the agency still lacks independence in the appointment of the managing bodies.

Consolidation programmes

With the consolidation programmes of the national budget in the reporting period, the authorities continue to **receive higher transfers from the central budget for the payout of pension benefits**. In order to keep regular pension benefit payouts, the central budget made transfers on several occasions, which, in total, were bigger than those prescribed by law. The transfers from the central budget, which in 2010 reached around 35% (2009-33.7%, in 2008-27.1%)¹⁰ demonstrate some reorientation of the pension policy towards increased injections from the central budget aimed at consolidating the current deficit.

In the same period of time, in order to provide progress for MAPAS (Agency for Supervision of Fully-funded Pension Insurance), the document NPAA Annex 4 Overview of Ongoing and Planned Foreign Assistance (NPAA 2009-2011) defines technical assistance as a component in 3.09.2 Insurance and occupational pensions IPA_2008, PF 2.1 Support to the ASFFPI; Total EUR 1m¹¹.

2.2.2 Debates and political discourse

The scarce and anaemic national debates on the future developments of the pension system have characterised the reporting period, and they had a modest and limited impact in regards to future reorientation of the system. All debates or political discourses, in general, were held in parliament between the government and the opposition parties during the adoption of the

⁸ Amendments to the Law on Contributions for Mandatory Social Insurance, published in the Official Gazette in December 2010.

⁹ Amendments to the Law on Mandatory Fully-funded Pension Insurance, published in the Official Gazette No. 50 of 13 April 2010.

¹⁰ Reports on the working of the Macedonian Pension and Disability Fund for 2008 and 2009, published on the website: <http://www.piom.com.mk/>.

¹¹ 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>.

proposed laws. Few experts have given their comments publicly, whereas the Unions Association expressed their views on the retirement conditions.

There have been several ***amendments to the laws***, which mostly refer to adjustments and relaxing of the investment policy and other changes towards improving the operations of the private pension companies. These changes enable an expansion of investments abroad of pension fund assets up to 50%. In December 2010, there were additional amendments, again referring to the investment policy. These changes introduced new investment instruments for the mandatory pension funds, which are municipality bonds or other debt securities issued by the local self-government units of the Republic of Macedonia. During the period of adoption of the amendments, the authorities justified this with the need for boosting the investing potential and the diversification of assets, considering that the pension funds were facing an extremely limited offer of long-term securities. Additionally, this has been justified with the fact that the long-term securities are the most appropriate investment instruments. This is because the return on such investments is adequate to the length of time in which the pension benefits will be paid out to the current members by their mandatory pension funds. Unlike the government, the opposition found the introduction of this instrument to be premature for the mandatory pension funds, because of the risk that the local-self government is not yet prepared to issue debt securities. For the same reasons, the amendments to the Law on Voluntary Fully-funded Pension Insurance were adopted in February 2011. These amendments extend the investment opportunities of the voluntary pension funds to debt securities issued by the units of the local self-government of the Republic of Macedonia. In March 2011, the Law on Mandatory Fully-funded Pension Insurance was amended again in the area of investment policy, allowing for the assets of the mandatory pension funds to be invested in private equity funds that invest in shares and units of micro, small and medium-sized companies. The December amendments to the Law on Mandatory Fully-funded Pension Insurance motivated a political debate. Namely, the Agency for Supervision of Fully-funded Pension Insurance (MAPAS) is legally obligated to open an account in a commercial bank and close the central budget account. These amendments limited the total transfer of assets to the commercial bank to 15% of the balance on the MAPAS account (on 31 December 2010), while the remainder of 85% was to be transferred to the central budget¹². In the parliamentary discussion on these amendments, the opposition parties criticised the government that withholding of the majority of MAPAS assets in the central budget represents a flagrant confiscation of assets aided by legal provisions. The opposition's disagreement was argued with the fact that the MAPAS assets are indirectly assets of the pension fund members, paid as part of the contributions to their individual accounts.

The reduced incomes in the pension system due to decreased contribution rates, as well as the high unemployment rate, by ILO definition (30.9% IV Q 2010)¹³ led to a digression from the policy of accelerated dynamics of decreasing the contribution rate. This condition inspired some experts to express their concerns about the possibilities of deepening the deficit and endangering the financial sustainability of the pension system. In this context, the interview for the weekly magazine FORUM¹⁴ with the pension expert Zorica Apostolska can be singled out. The expert stressed that the decreased incomes have led to an increase of around 35% in transfers of money from the central budget in order to provide for regular payout of pension benefits in 2010. In an interview with the daily magazine "KAPITAL"¹⁵, Davor Vukadinovic

¹² Amendments to the Law on Mandatory Fully-funded Pension Insurance, published in the Official Gazette No. 171 of 30 December 2010.

¹³ http://www.stat.gov.mk/english/glavna_eng.asp.

¹⁴ FORUM, weekly magazine No.267, 26 November 2010.

¹⁵ KAPITAL, daily magazine, No. 174, 28 November 2010.

(director of a private pension fund) and Zorica Apostolska (pension expert) pointed out the consequences from the decreased contribution rates and again stressed the reasons for introducing the multi-pillar pension system.

In the reporting period, there have been no discussions by the policy makers or by the public on the possible changes in the retirement policy, in terms of increasing the retirement age. However, the **Union Association and Confederation of Free Unions** submitted an “initiative for the introduction of various retirement conditions in the Law on Pension and Disability Insurance”¹⁶. The primary motive for this initiative was driven by certain categories of workers who cannot retire according to the current Law on Pension and Disability Insurance - redundant workers and other groups of workers, mainly in their 50’s and 60’s. So in February 2011, the Unions organised a round table to present the initiative before the representatives of the Ministry of Labour and Social Policy (MLSP), Ministry of Finance, the Pension and Disability Fund, the Chamber of Commerce, etc. Besides the old age as an exclusive retirement condition, the Union requested the introduction of temporary retirement on the basis of 35 years of career for women and 40 years for men by 2015, early retirement at the age of 60 and minimum 15 years of career, without any percentage of penalties for each year of premature retirement. Furthermore, placing different retirement conditions for different professions depending on the level of difficulty of the job and decreasing the minimum required years of career was requested. The MLSP is still reviewing and analysing these proposals and according to the results will answer the Union’s initiative.

In the context of the issue of retirement conditions, the modest effort of a daily newspaper “Utrinski Vesnik”¹⁷ should be mentioned, which in July 2010 analysed the increase and the equality of the retirement age between genders in other countries, EU and non-EU members (Germany, Spain, Portugal, Finland, Ireland, Sweden Belgium, UK, Austria and Croatia). Based on discussions with representatives from the MLSP, the newspaper’s conclusion was that it is still early to have an equal retirement age for men and women and that no changes in that regard are to be expected in the next ten years.

One of the significant events that can be singled out for its rarity and contents is the **International Conference on Pension Reforms and Future Challenges**, which took place on 12 April 2011 in Skopje¹⁸. It was organised by the Ministry of Labour and Social Policy, MAPAS and the World Bank. The conference was a good opportunity for debates on the pension systems’ models in the CEEC and the region, on the risks from the demographic and economic movements as well as the future challenges. As a host, the Republic of Macedonia, shared its experience with the other participants by presenting the parametric and structural reforms of the pension system. The conference was divided into several panel discussions: on pension systems today, on future steps and challenges for the second and the third pillar, and on pension funds and capital markets. Basically, all presenters shared the same problems and concerns, and they discussed the series of implemented interventions or measures that will be implemented in the future, all aiming at the provision of financial sustainability and adequate pensions for all generations.

The Republic of Macedonia implemented the concept of a minimum guaranteed pension long time ago. During the reporting period, there were no discussions or debates on this subject even though nowadays, the beneficiaries of this category are facing the risk of poverty. The

¹⁶ Association of Unions of the Republic of Macedonia.
http://www.ssm.org.mk/index.php?option=com_content&view=article&id=591%3Ainicijativa-za-poveke-uslovi-za-penzioniranje&catid=120&lang=en.

¹⁷ Utrinski Vesnik, daily newspaper, 12 July 2010.

¹⁸ International Conference on Pension Reforms and Future Challenges, 12 April 2011, Skopje, retrieved from:
<http://www.mtsp.gov.mk/?ItemID=FB79BA05971E2E4B920032135EE3104A>.

part of this report entitled *Impact assessment* will give a detailed analysis on this category in the pension system, together with an assessment and statistical data.

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. The evaluation and the recommendations in the **EU Progress Report for 2010** are 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 2010 Progress Report”¹⁹. It has been noted that some progress has been made in the area of occupational pensions. In reference to 2009 recommendations, 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). The 2010 Progress Report again points to the national legislation and the fact that the pension funds can invest only 30% of their assets in non-domestic securities, which is against the principles of EU laws. In this context, it should be pointed out that in 2010, the legislation was amended again in terms of further increasing of the investments limits for abroad up to 50% of the total pension funds assets.

Besides these comments, the report points out that there is no credible enforcement record yet in applying risk-based supervision. In this respect, the government of the Republic of Macedonia adopted a National Programme for Adoption of the Acquis Communautaire-Revision 2011²⁰, according to which in 2011 IPA funds will be allocated as technical assistance for the development of MAPAS. 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.

The general conclusion from the EU evaluation given in the Progress Report is that there was overall good progress in the area of banking, capital markets and pension insurance. This means that, in the pension sector, the impact of EU social policies at the national level is precisely directed towards maximum elimination of limits for investments abroad and in applying risk-based supervision on the private pension funds.

2.2.4 Impact assessment

All policy makers take into consideration the risk of insolvency of the pension system, and they tend towards a balanced, sustainable pension system and adequate pensions in the long run. The last Actuarial Report for 2010 can be used as a mock-up for the future pension system and, therefore, be used for future policy-making and reforms. In that direction, it is important to analyse the revenues and expenditures of the pension system, which depend on several demographic and economic movements. The key factors for the analysis are mortality, fertility, labour force, unemployment, average wages, inflation, etc. The revenues will depend on how these factors shall influence the size and structure of the working population, as well

¹⁹ Government of the Republic of Macedonia-Secretariat for European Affairs, web page: http://www.sep.gov.mk/content/Dokumenti/EN/mk_rapport_2010_en.pdf.

²⁰ Government of the Republic of Macedonia-Secretariat for European Affairs, web page: http://www.sep.gov.mk/content/Dokumenti/EN/NPAA2011_narativen_del.pdf.

as on the level and allocation of wages. The expenditures will depend on the influence of these elements over the number of current and future pensioners and the size of their pension benefits.

Demographics and labour market situation

The fertility and the life expectancy rate are important demographic assumptions for forecasting the movements of the pension system. The fertility rate influences the labour active population. The decrease in the fertility rate has negative effects for any PAYG pension system. A lower fertility rate today will lead to a higher number of elderly people in ratio to the working population in the future. On the other hand, if there are larger numbers of contributors, the revenues will increase. The table below shows the fertility rate and the life expectancy upon birth and retirement for today and future assumptions.

Table 1²¹: Basic scenario for demographic assumptions (2010-2050)

Year	Total fertility rate	Life expectancy			
		Upon birth		Upon retirement	
		Men	Women	Men	Women
<i>Basic scenario</i>					
2010	1.5	71.5	76.0	15.3	18.5
2020	1.7	71.9	76.5	15.6	18.8
2030	1.8	72.4	77.1	15.9	19.3
2040	1.9	74.0	78.8	17.0	20.6
2050	2.0	75.0	80.0	17.7	21.5

According to the figures, the life expectancy for the following 40 years will rise slightly by around four years. According to the projections, the difference between men and women will remain at five years in favour of the increased longevity of women. When comparing 2010 to 2050, the life expectancy will vary in the range of 71.5 years at the beginning to 75.0 years at the end of this period for men, and, 76.0 to 80 years for 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. Based on the demographic assumptions, the table above demonstrates that women will be beneficiaries of the pension system longer than men. In 2050, men will be beneficiaries for an average of 17.7 years, and women will be beneficiaries for up to 21.5 years.

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. The unemployment rate in the Republic of Macedonia is still very high and, therefore, creates the problem of low and short participation of the labour force 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 employment and unemployment rates per gender are given below:

- In 2009, the total unemployment rate for persons between the ages of 15 to 74 years was 32.2%. For women it was 32.8%, and for men 31.8%. Among those unemployed waiting for a job up to 1 year, women are represented with 41.6% and men with 58.4%. Among those looking for a job for longer than a year, women represent 38.8% and men 61.2%²².

²¹ 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>.

²² State Statistical Office, Publication: "Macedonia in numbers, 2010", web page http://www.stat.gov.mk/Publikacii/MakBrojki2010web_mac.pdf.

- In the fourth quarter of 2009, the employment rate for persons between the ages of 15 to 64 years was 43.3% in total. For women it was 33.5% and 52.8% for men. Full time employees consisted of 62.4% men, and 37.6% women. Part-time employees consisted of 52.5% men and 47.5% women²³.

The unemployment rate for persons between the ages of 15 to 64 years was 32.6% in total, for women it was 32.2%, and for men 32.9%. The employment rate for persons between the ages of 15 to 64 years was a total of 42.7%, for women it was 33.5% and for men 51.8%²⁴.

From the summarised data on employment and unemployment it can be concluded that the years of active participation on the labour market are important for the provision of adequate income at old age. All the cases mentioned above demonstrate that women participate less on the labour market than men do. Moreover, the future pensions are influenced by the gender differences in the life expectancy, since women tend to live longer than men do. Therefore, when compared to men, women work less, which means they pay fewer contributions, and therefore fewer assets will be accumulated on their individual accounts, which will result in smaller pension benefits for women.

Main findings of new/updated assessments of the impact of the economic and financial crisis

The 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.

The figure below presents the comparison of revenues, expenditures and the deficit in the system for the next 70 years with: (**scenario I**) a contribution rate of 19% in 2009, 18% in 2010, and 15% in 2011 and beyond, (**scenario II**) projections if the contribution rate would have remained at 21.2%.

As demonstrated in the figure above, the first scenario, with the decreased contribution rate, leads to a deeper deficit and a decrease of revenue from contributions. If the contribution rate had remained at 21.2% for the next 70 years, then the average percentage of revenues as part of GDP would have been higher by 37.88% than the average of the first scenario. Had the contribution rate remained at 21.2%, the average deficit as percentage of GDP for the next 70 years would have decreased by 50.26% in respect of the average value of the deficit as percentage of GDP in the first scenario. When comparing both scenarios, the deficit in the first scenario is obvious, as in 2030 it will reach its peak of 5.60% of GDP, due to the decreased contribution rates²⁵.

Regarding the long-term financial sustainability after the introduction of the second pillar, it is important to say that the deficit will gradually increase until 2030. 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

²³ State Statistical Office, Publication: "Men and Women in Macedonia" 2010, page 72
<http://www.stat.gov.mk/Publikacii/Gender2010.pdf>.

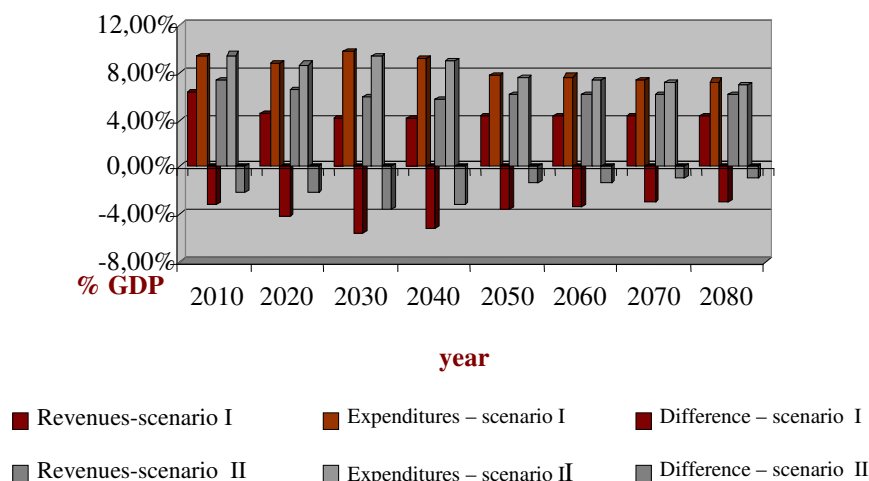
²⁴ State Statistical Office, Active Population Results from the Labour Force Survey, 4th quarter 2010, page 5, Table: Activity rates of the population by age groups and gender, retrieved on 24 March 2011 from <http://www.stat.gov.mk/pdf/2011/2.1.11.03.pdf>.

²⁵ 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>.

the pensions that they will receive from the second pillar. Between 2050 and 2060, the deficit will experience a mild stagnation after which it will start to decrease. 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.

Figure 1²⁶:

Comparison of projections for scenario I and scenario II



Note: After the publication of the Actuarial Report, the law regulating the contribution rates was amended (for more details see 2.1.1. of this report). Therefore, in 2011, the contribution rate will remain at 18%, and in 2012, it will be 17.5%. These changes were not envisaged within the Actuarial Report; however, they would not drastically alter the general picture.

How adequate is the pension system to prevent the elderly from poverty?

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 accent being on the amount of pension and the number of minimum pension beneficiaries. The statistical data indicating the probability of poverty risk at old age is, actually, the result of the comparison between the average wage and average pension and comparison with the consumer basket.

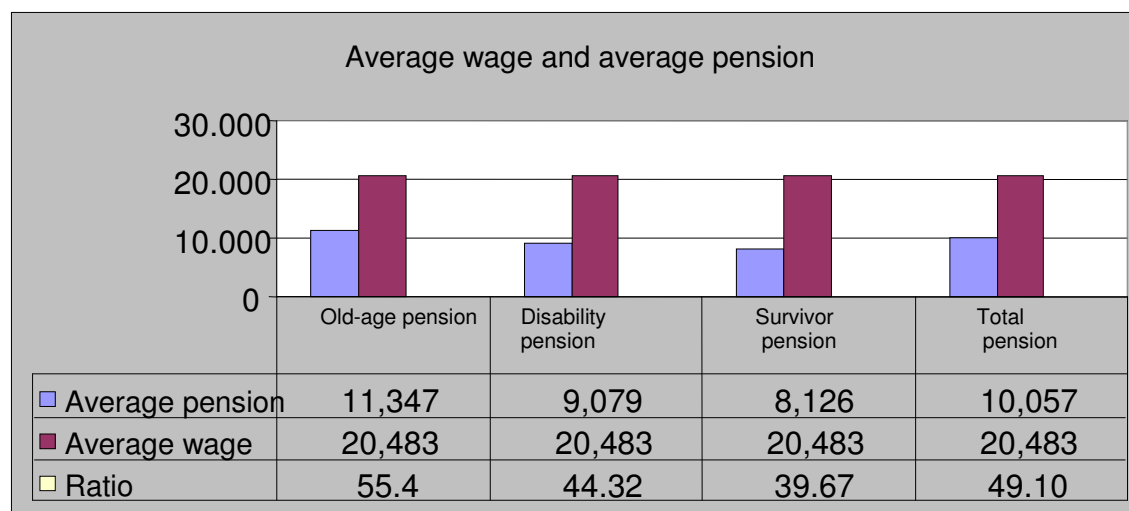
The three types of pensions (old age, survivor, and disability) and respective ratios vis-à-vis the average wage are used for the analysis of the poverty risk.

The average amount of all pensions is 49.10% or half of the average wage. The survivors' beneficiaries have the lowest ratio of 39.67%, while for disability, the ratio is 44.32%, which is slightly higher and, the best ratio is the one for old age with 55.4%. Worst off are the minimum pensions, where the amount of the average minimum pension (MKD 6,746) constitutes only 32.9% of the average wage. This means that the amount of the average minimum pension is equal to one third of the average wage, and the number of minimum

²⁶ 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>.

pension beneficiaries is 116,702 or 42.6% of the total number of beneficiaries²⁷. The value of the consumer basket for the same period is MKD 12,280²⁸ and the minimum pension in relation to the poverty threshold is only 56%.

Figure 2²⁹: Average wage and average pension (year 2009) in MKD



Therefore, if the adequacy of the pensions is measured 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 value. And although the other types of pensions are higher than the minimum pension, their average is also 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 would be if determined by the career length and the earned wages.

All these data indicate that the poverty risk is present and it is mostly due to the insufficient participation of workers on the labour market. This, in turn, leads to insufficient payment of contributions, which, of course, should finance the retirement period.

Projections on the population

As pensioners are part of the total population, it is very important to follow closely the ageing of the population. The rising life expectancy changes the structure of the population and the participation of the elderly in the total population is higher. This means that the number of pensioners in the system is higher and so is the number of years they are pension beneficiaries. A standard indicator of the ageing of the population is the dependency ratio of elderly (above 65) to working population (18 to 64 years of age).

The development of the dependency ratio is given in the following graph:

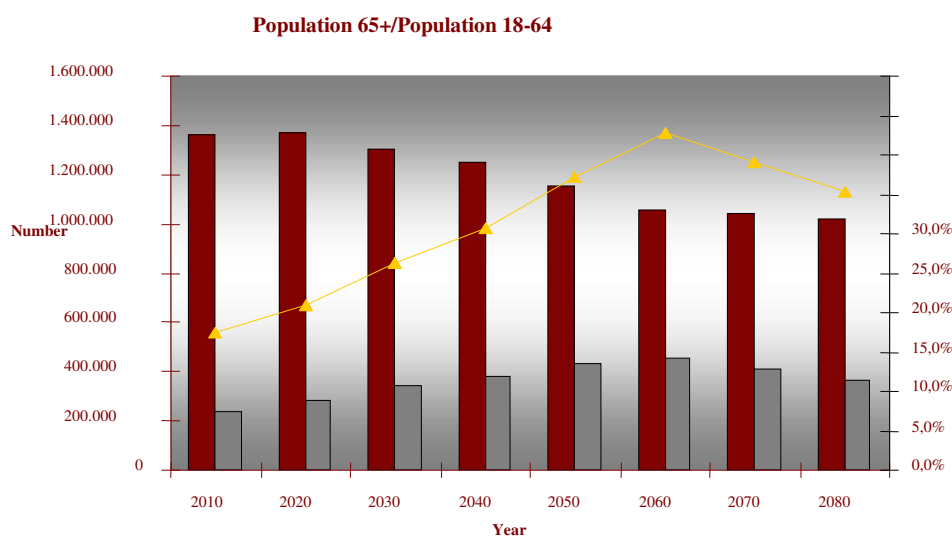
²⁷ Report on the operations of PDIF for 2009, page 21, published in April 2010, on www.piom.com.mk.
 Note: The data is taken from the 2009 Report, because the 2010 Report had not been published at the moment of preparation of this report.

²⁸ State Statistical Office, (data for 2009), published on www.stat.gov.mk.

²⁹ Report on the operations of PDIF for 2009, page 21, published in April 2010, on the website www.piom.com.mk.

Note: The data is taken from the 2009 Report, because the 2010 Report had not been published at the moment of preparation of this report.

Figure 3³⁰: Dependency ratio



The dependency ratio of these two population groups is growing, from the current 17.1% to 42.4% in 2062, and then falling to 35.5% in 2080. This means that, in the future, around 1/3 of the population above 18 years of age will belong to the category of old population.

Projections for the pension system

The unfavourable developments in the economy have direct impact on the decreasing rate of active population and the structure of the labour force. This influences the number of insurers in the long run. The future movement in the number of contributors and the pensioners is an important parameter, or rather an alarm, for the sustainability of the Macedonian pension system and the need for its continual adjustments and reforms.

The figure below gives the medium and long-term forecasts. In the basic scenario, it can be noticed that the number of pensioners is growing in the next 50 years and then this number starts to decrease. In the long run, the ratio of 1.74 contributors to one pensioner is decreasing to 1.21 contributors to one pensioner. This is an indicator that, over time, contributors will decrease in number and that they will have to finance the pensioners whose number will increase over time.

³⁰ 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>.

Figure 4³¹: Ratio contributors / pensioners in the three scenarios

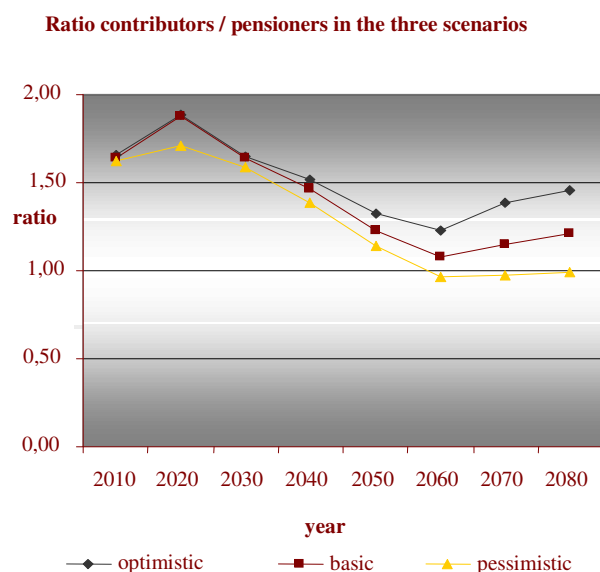
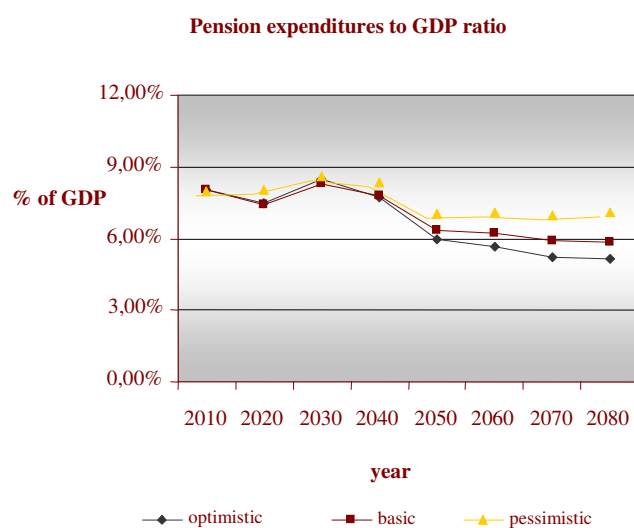


Figure 5³²: Pension expenditure to GDP ratio



The line for pension expenditures shows a decreasing trend and has a tendency to stabilise. This decrease is influenced by the change in the replacement rate for the members of the PAYG scheme from 80% to 72% by 2016, and by the lower replacement rate of 30% for the state pensions for those participating in the multi-pillar pension system. These actuarial projections show a decrease in costs because future retirees will receive smaller pensions from the first pillar and the largest portion will come from the second pillar.

³¹ 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>.

³² Actuarial Report on the pension system in RM-May, 2010, published on www.piom.com.mk <http://www.piom.com.mk/informacii/statistika/40.html>.

The role of private/funded pensions in retirement income

As a form of savings, the pensions from the private pension funds depend directly on the paid-in contributions. Investment returns, after deduction of costs for fund operations, are fully allocated to individual members. The future pension will depend on accumulated assets, investment performance, and life expectancy at retirement. It is important to emphasise that pensions are long-term savings where assets increase gradually, but continuously. An important characteristic of the second pillar is that it is managed privately and competitively where pension management companies invest the contributions paid in the pension funds. Therefore, economic goals determine investment strategy, encouraging the maximisation of the overall return in the best interest of the members. Mandatory pension funds have only existed for five years in the Republic of Macedonia, and in their very short history, they were hit by the global economic crisis. The tables below demonstrate the performance of the private pension funds:

Table 2³³: Rates of return realised by the mandatory pension funds

Mandatory pension funds			
Period	NLB	KB First	Average
1.1.2006 - 31.12.2006	5.93%	6.27%	6.10%
1.1.2006 - 31.12.2007	7.48%	7.38%	7.43%
1.1.2006 - 31.12.2008	0.05%	2.32%	1.19%
31.12.2006 - 31.12.2009	3.33%	4.32%	3.83%
31.12.2007 - 31.12.2010	2.67%	3.97%	3.32%
1.1.2006 - 31.12.2010	4.75%	5.32%	5.04%

According to the formula for calculating the return³⁴, only the results from the last 36 months are included in the calculation (01.01.2006-31.12.2008; 31.12.2006-31.12.2009; 31.12.2007-31.12.2010). Thus, the data of the average return of 1.19% in the period 01.01.2006-31.12.2008 demonstrate a stop in the rise of the rate of return during the financial crisis (2008), which hit the capital markets around the world. After this shock, since 2009, the rate of return has (3.83%) started to rise mildly and the pension funds have been recovering from the loss.

Considering that the voluntary pension funds were established in 2009 and have been operational for only one year, the data below will have only statistical value for the first year of existence of these funds.

Table 3³⁵: Rates of return realised by the mandatory pension funds

Voluntary pension funds			
Period	NLB	KB First	Average
31.12-2009 - 31.12.2010	4.40%	6.67%	5.54%

³³ International Conference on Pension Reforms and Future Challenges, 12 April 2011, Skopje, retrieved from: <http://www.mtsp.gov.mk/?ItemID=FB79BA05971E2E4B920032135EE3104A>.

³⁴ The Law on Mandatory Fully-funded Pension Insurance, Article 86, published on 5 May 2002, Official Gazette No. 29/2002,

³⁵ International Conference on Pension Reforms and Future Challenges, 12, April 2011, Skopje, retrieved from: <http://www.mtsp.gov.mk/?ItemID=FB79BA05971E2E4B920032135EE3104A>.

2.2.5 Critical assessment of reforms, discussions and research carried out

Adequate retirement incomes and sustainability of the pension system

One of the measures of the government of the Republic of Macedonia against the crisis was the decrease of the contributions rates in order to lower the burden of the employers. Therefore, in the past two years, and including this year as well, the Macedonian pension system has been facing reduced revenues and increased deficit. To overcome this situation, in the short run, transfers from the central budget have covered the deficit. According to the projections on the deficit as percentage of the GDP (see: impact assessment), the decreased revenues will take the system towards a long-term financial imbalance. Therefore, if the authorities continued to balance the deficit with transfers from the central budget for the regular payouts of pensions, they would support an unnatural budgetary financing of pensions. This fiscal implication would reflect on the individuals/pensioners for the payout of the promised pensions by endangering the adequacy of pensions. It is good that the actuarial projections of 2010 analyse the long-term flow of the deficit, so policy makers will have to reconsider the decrease of contribution rates and the dynamics of their implementation. The authorities should take adequate measures to prevent the actuarial forecasts from happening and, therefore, provide for sustainability of the pension system and adequacy of pensions. Moreover, there is the demographic trend of population ageing, resulting in a rise in the life expectancy. This in turn leads to a continued decrease of the ratio employees/pensioners and this is certainly something that policy makers and experts must pay due attention to. Previously in this report it was discussed that the number of expert papers is limited and that the interest is very poor with regards to the future orientation of the pension system. In this context, we must acknowledge the organisation of the International Conference on Pension Reforms and Future Challenges, held in Skopje. All the experiences presented by the other countries can help in finding solutions to be implemented in the Macedonian pension system. For Macedonia, a lesson learned from the conference should be to stay on the multi-pillar course. Of course, this means to improve the system further, but also to consider increasing the retirement age. Equally important is the increase of the contribution rate, as well as the efforts for increased participation on the labour market.

In the reporting period, there have been changes in the regulation introducing new investment instruments and measures for relaxation of the investment limits. The positive aspects of these changes are the effort to expand the financial instruments, to increase the diversification and to alleviate the access to these instruments. On the other hand, these legal interventions, especially with the mandatory pension funds, have led to allowed investments in private equity, which can be considered as risky investments. This is mostly because the pension funds are not controlled by the regulator, unlike the investment funds, and they do not have an enhanced obligation for transparency or disclosure of financial data. In this context, we must extend the criticism of the frequent changes in the investment regulations in a period of one year, which leads to instability in the creation of a long-term investment strategy by the asset managers of the pension funds. A good and prudent investment policy is a potential for reliable earnings and safekeeping of the value of assets on the individual assets, ultimately leading towards better adequacy of pensions.

Besides the stability of the system, the length of participation on the labour market and the rate of return in the accumulation phase play an important role for the adequacy of the income in old age. The tables below give the investment performances of the Macedonian pension funds

Table 4³⁶: Rates of return realised by the mandatory pension funds

By years	2006 (%)	2007 (%)	2008 (%)	2009 (%)	2010 (%)
Inflation rate	3.20	2.30	8.30	-0.80	1.60
Nominal rate of return	6.10	7.43	1.19	3.38	3.32
Real rate of return	2.81	5.01	-6.57	4.67	1.69

For the realistic picture on the realised gain, it is important to consider the inflation rate as an important indicator for the calculation of the real rate of return, and for the calculation of the future pension, as the ultimate wanted effect. Thus, the above data demonstrate that the inflation had a significant influence for the realisation of the rate of return. This is a good parameter for the pension fund managers, in order for them to aim at maximum diversification of investments and in-depth analyses to obtain higher rates of return. Therefore, they should pay more attention to investment policy and focus on financial instruments that are more resistant to inflation. The pension fund managers should target the allocation of assets in the long run towards a maximum return, which will provide adequate value of the assets on the individual accounts. Related to the pension fund performance is the structure of the pension funds, as given below.

Table 5³⁷: The structure of the Macedonian pension fund assets portfolio

Year	2006	2007	2008	2009	2010
ASSET CLASS*					
Shares of domestic issuers	3.8	18.9	7.1	4.8	3.2
Bonds of domestic issuers	72.4	59.8	44.2	57.5	53.7
Short-term domestic assets	6.9	0.0	3.8	0.0	0.2
Bank deposits (domestic)	16.9	18.5	41.9	35.1	31.6
Cash	0.0	0.0	0.5	0.8	0.3
Shares of foreign issuers	0.0	2.7	1.7	1.1	2.1
Bonds of foreign issuers	0.0	0.0	0.0	0.0	3.0
Foreign investment funds	0.0	0.2	0.4	0.3	5.9

*Note: deviations from 100% for 2008 and 2009 are due to omission of an item called "Claims".

³⁶ Own calculations, based on the data from: MAPAS, retrieved from: <http://www.mapas.gov.mk/default.asp?ItemID=778FD5116EECB44B9A6B92654C413B9B> and Macedonian Central Bank retrieved from: <http://www.nbrm.mk/?ItemID=750FC531FC3D1B49B16440313562D400>

³⁷ International Conference on Pension Reforms and Future Challenges, 12 April 2011, Skopje, retrieved from: <http://www.mtsp.gov.mk/?ItemID=FB79BA05971E2E4B920032135EE3104A/> prof.%20Filipovski[1].zip - ZIP archive, unpacked size 1 004 032 bytes.

The above data gives the structure of the investment portfolio of the Macedonian pension funds, which is rather simple and diversified, hence the rate of return is modest. The investments are mostly in domestic bonds and bank deposits (domestic), while the shares of domestic issuers have small portfolio participation, especially after the crisis (2008). In 2010, the foreign investments increased to 11%, and compared to previous years the investments abroad was 1.4% in 2009, 2.1% in 2008, 2.9% in 2007 and 0% in 2006. With a very short history of existence of only five years, the Macedonian pension funds have a very conservative portfolio. Pension fund managers could be more courageous for investments abroad instead of relying only on bank deposits and government bonds. Moreover, at the time (2008) when the prices of the domestic shares were undervalued and, therefore, more favourable for buying, the pension managers should have turned towards more investments in these securities. All this would influence the improvement of the investment results, which, ultimately, will lead to higher actual rates of return. In this context, it is crucial to mention the need for better education of the investment experts who are authorised to follow on a daily basis the movements of the stock exchanges and capital markets in the world. Thus, they would influence the improvement of the investment performance in the long run, which would ultimately bring higher returns and higher value of the future pensions.

Information and transparency

In the reporting period, the information and transparency on the developments of the system was full of gaps. The voluntary pension funds have only existed for over a year and the public's interest in them is rather modest, so it is only natural that there should be an extensive educational and public awareness campaign. The way the funded pillars function is new to the Macedonian public, because it is very different from the traditional PAYG-scheme. That is a reason why a lot of attention must be paid to the promotion of the funded component of the system, by the authorities as well as by the pension companies. This should contribute to a more resounding participation in the voluntary pension funds. Since the assets from this component constitute only 0.2% of GDP³⁸, it will have a very slow growth and, thus the justification for its existence will start to fade out. Although it is not quite appropriate to discuss tax issues in the transparency part of the report, it should be noticed that the policy makers should consider more attractive tax alleviations for the voluntary schemes, in order to boost this type of savings. This would be most beneficial to the occupational schemes because it would stimulate employers' interest in including more employees in these schemes.

Conclusion

This part of the report starts with a quote from the Green Paper document: "Adequacy and sustainability are two sides of the same coin. If pensions are at risk of being inadequate, there may be pressure for ad-hoc increases in pensions or higher demand for other benefits, jeopardising sustainability. Equally, if the pension system is unsustainable, it will prove to be inadequate in the long run when sudden corrections are needed. The issues of pension adequacy and sustainability need to be considered jointly."³⁹

In this context, the findings of the Green Paper, EU Strategy 2020 with Guidelines 7 and 8, and some common findings from the "International Conference", can be used by the Macedonian authorities for further pension reforms and policies. The conclusions regarding the potential measures for improving the Macedonian multi-pillar pension system, based on

³⁸ Annual statistical report on the Developments of the Fully-funded Pension System in 2010 retrieved from: <http://www.mapas.gov.mk/WBStorage/Files/Godisen%20statisticki%20izvestaj%202010.pdf> .

³⁹ Green Paper, page 10: Towards adequacy, sustainable and safe European pension system, 3.1. published in: <http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=839&furtherNews=yes#>.

the common European/world experience and OMC objectives, can be grouped in the following findings:

EU Strategy 2020 with Guideline 7 and Guideline 8 ⁴⁰	Green Paper towards adequate, sustainable and safe European pension systems ⁴¹	Common findings from the “International Conference on Pension Reforms and Future Challenges” held in the Republic of Macedonia ⁴²	Applicable to R. Macedonia (Comments)
Increasing labour participation and reducing structural unemployment	Increases in pensionable ages, including gender dimension	Increasing old age as a retirement condition with sustainable balance between time spent in work and time spent in retirement	This subject has not been discussed recently, except by the unions. They are asking for lowering the age limit and the possibility for early retirement to be reintroduced.
Developing a skilled workforce responding to labour market needs (training, educ.)	Rewarding later and penalising earlier retirement	Abolishing or penalising earlier retirement	No legal and practical existence of the early retirement
Strengthen the capacity and dialog of social partners	Moves from benefits based on earnings in best years towards based on whole working career	Increasing rate of pension contribution, especially the portion of funded schemes	The contribution rate is reduced, not increased.
To transform the OMC into platform for cooperation exchange of good practice, common analysis of the lessons and with sense of common challenges ahead	Encourage older workers to stay in the labour market and greater gender equality in labour market	Decrease of unemployment rate and increased participation on the labour market	Benefits based on earnings during the working career
To undertake an assessment of the adequacy and sustainability of pension system	Moves from single to multi-tiered pension system	Introduction of multi-funds, with different investment portfolios and a risk for the return, depending on the age structure.	Thinking of introducing multi-funds with different investment portfolios
	Safer, more transparent pension with better awareness and information	Financial education of the public on the performances and risks.	Rather anaemic and scarce.
		Increased competitiveness among fund managers	Two pension funds are almost like a “monopoly”, since there is no real competition
		Decrease of management costs	Good progress and ambition of the regulator
		Bigger tax alleviations, especially for the occupational schemes.	The tax incentives are reduced, instead of increased.

⁴⁰ http://ec.europa.eu/europe2020/index_en.htm.

⁴¹ Green Paper, page 10: Towards adequacy, sustainable and safe European pension system, 2.2. published in: <http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=839&furtherNews=yes#>.

⁴² International Conference on pension reforms and future challenges, retrieved from: <http://www.mtsp.gov.mk/?ItemID=FB79BA05971E2E4B920032135EE3104A>.

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 Macedonia is structured as a socially based health system, the Bismarckian 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 teaching 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). Teaching 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 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 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 was 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 announced⁴³.

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

⁴³ Yearly Report of the work of the HIF 2010.

of the patients from polyclinic centres towards hospitals. The burden of patients requiring specialist consultation is especially seen at Clinic Hospitals in Skopje. This is due to poor triage mechanisms for patients in polyclinics, as well as the lack of specialist in polyclinics. 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 population⁴⁴, remains a major concern.

Recent changes and challenges

During the period covered by this report, several reform steps were announced, but not many have been implemented.

Regarding service provision in primary health care, the capitation model was revised twice, but only as far as the capitation fee is concerned, which has been re-adjusted by the HIF, mainly revising the price “per capita”. The model itself, in which GPs remuneration is made up by 70% capitation and 30% fee for selected services, has not been changed neither revised. The scope of services provided by GPs is satisfactory for most of the 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. 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 (polyclinics 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 polyclinic 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 care⁴⁵.

The DRG model of payment to hospitals was supposed to be the “golden” solution for controlling the costs and expenditures of public hospitals. 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. As it was only a basic model, it created savings for the HIF but serious shortages for the hospitals. Shortages 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 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, was used as the 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% for at the tertiary level for service provision (subspecialist care and teaching hospitals)⁴⁶.

⁴⁴ DRG Report for the period January-December 2010, HIF.

⁴⁵ <http://www.fzo.org.mk/>.

⁴⁶ <http://www.fzo.org.mk/>, Information for the public from April 2011.

In line with the emerging needs of the population, the private sector is strongly building up its positions. 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 hospitals⁴⁷. The emerging private sector offers possibilities and opportunities for the patients to choose from when obtaining health service. 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 service with no option to choose and contributes to inequality in access to health services. The City of Skopje practice has the primate to concentrate health services, both private and public. The discrepancy and differentiation between Skopje and rural regions increases the inequality in health service provision.

Health expenditures (Table 6), 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 GDP⁴⁸.

Table 6: Health expenditures

A. SELECTED RATIO INDICATORS* FOR EXPENDITURES ON HEALTH	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
I. Expenditure ratios															
Total expenditure 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 expenditure as % of PvTHE	99.6	99.4	99.6	99.5	99.2	99.2	99.1	99.1	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

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 7)⁴⁹.

⁴⁷ <http://www.fzo.org.mk/>, Price list for health services in specialist care (last revised 23 March 2011).

⁴⁸ The former Yugoslav Republic of Macedonia - National Expenditure on Health (Denar), NHA, WHO 2011.

⁴⁹ Analysis of the realisation of the resources of the HIF and the budgets of public HCI in 2010, HIF 2011.

Table 7: Budget of the HIF related to the state budget and GDP in MKD (2006-2009)

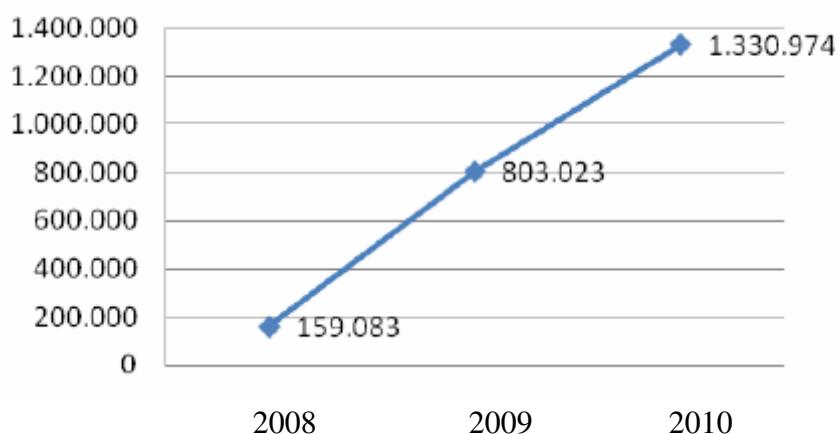
Year	Revenues (payrolls)	Transfers	Total revenues	Total expenditures	HIF budget as % of state budget	HIF budget as % of GDP
2006	9,448,377	5,881,535	16,504,895	16,280,394	15.40%	5.24%
2007	9,963,345	7,065,376	17,491,256	16,425,000	13.98%	4.64%
2008	10,874,393	9,050,078	20,427,496	19,630,339	14.00%	4.93%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

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 polyclinic 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 in expenditures for other. 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.

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 6)⁵⁰.

Figure 6: Debts of PHI (in MKD 1,000)



The Basic Benefit Package (BBP) was supposed to be finalised in 2010. 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 2010⁵¹. 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,

⁵⁰ Analysis of the realisation of the resources of the HIF and the budgets of public HCI in 2010, HIF 2011.

⁵¹ FYR Macedonia: Health Sector Management Project, Project Appraisal Document.

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.

2.3.1 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 opposition, offering no clear statement about the problem but about the inefficiency of the system, and no real options or solutions for debated issues. It is evident that the governmental policy, elaborated in detail in the Strategic Plan of the Ministry of Health, follows a good course but shows poor implementation. As pointed out by the last consultancy by the WHO on BBP, the major issue lies in reorganisation and rightsizing of the hospital sector, which still remains the financial core of health expenditures.

The Law on Health Protection was amended introducing a payment-per-performance model for doctors⁵². 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 Macedonia⁵³. The government justified the implementation of this system of payment by increasing the responsibility of doctors and their efficacy in provision of health 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”. Letters to the Prime Minister and the Minister of Health were sent with elaborated proposal for a possible step-by-step implementation of the mentioned model. The Chamber suggested that consultations with it as active partner are “a must” for any efficient implementation when serious reforms in the health sector are undertaken .

Another amendment on the Law on Health Protection was the creation of the Health Council as a coordinative body with representatives from all health chambers, HIF and the Ministry of Health, which will support communication among the Ministry of Health and professional medical organisations in the country⁵⁴. The Council will evaluate and review all issues related to policies and priorities in health protection and health insurance and suggest opinions regarding health programmes for health services and volume of financial resources needed for their implementation. The Council will provide support to the Ministry of Health and involvement of professional organisations, especially consultancy when reform measures are undertaken.

The Law on Health Protection was also amended in respect of the legal provision for the management structure in PHI. With this amendment, the position of a second manager was abolished for all PHI where the total number of employees does not exceed 1,000. This measure was justified by the government with the savings of costs that can be achieved by abolishing the second manager in small-sized PHI, especially in University Clinics in Skopje.

⁵² Amendment on the Law on Health Protection, April 2011.

⁵³ Vox Medici, No. 70, March 2011.

⁵⁴ Amendment on the Law on health protection, April 2011.

Open debates tackled supply of drugs, mostly in respect of expensive and specific treatments. Debates were initiated by patients' associations, and shortages of drugs and medical consumables were discussed and opinions shared with officials from the Ministry of Health and HIF. The government mainly named limited financial resources of the national health insurance as the reason and promised further efforts to improve the conditions and general situation on the pharmaceuticals market.

After several maternal and newborn deaths were reported in the media, followed by the publication of statistics showing increased neonatal mortality rates, the Ministry of Health announced the revision of the Safe Motherhood Strategy, aiming at strengthening perinatal services. The strategy was publicly debated and accepted.

Individual stories, mostly of socially deprived persons, were presented in the media, where the lack of access to health services, a complicated flow of patients in clinic hospitals and poor organisation of overall health services in the country were depicted.

2.3.2 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 2010, in the recommendations, conclusions and their acceptance. Chapter 28 points out some issues regarding health protection⁵⁵:

Within the reporting on progress made in public health, the enacted Law on Public Health and adoption of various health programmes by the government are mentioned. Moreover, the overall funding has increased, mainly for capital investments. The enacted Law on Health Insurance forms the legal basis for e-health insurance cards, the introduction of which is in the testing phase. Collaboration with the civil society has been strengthened through weekly meetings between the ministry and health NGOs. Some progress has been made in the area of *communicable diseases*. Full legal alignment with the *acquis* in communicable diseases remains to be confirmed. Specific health programmes for prevention and control of some communicable diseases have been established. A multi-annual immunisation plan, including polyvalent vaccinations, has been introduced. Limited progress can be reported in the field of *mental health*. Efforts are being made to deinstitutionalise mental health care and move from psychiatric hospitals to community-based institutions. However, mental health institutions do not have sufficient staff and adequate financial resources. Preparations in this area are at an early stage. Continued efforts are needed to address the *socio-economic determinants of health* and *health inequalities*. A strategy for palliative care has been adopted. Regarding *health and environment*, a strategy on the adaptation of the health sector to climate change (2010-2015) has been adopted. As a conclusion it can be said that there has been some progress in the area of health protection. As regards to public health, health protection is hampered by the lack of sufficient financial resources and operational structures. Overall, preparations in the area of health protection are moderately advanced.

2.3.3 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.

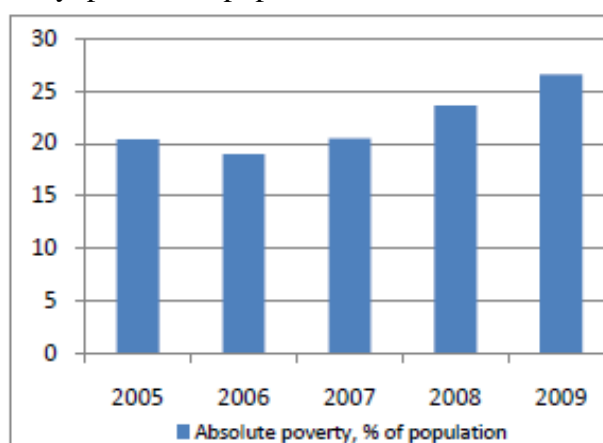
The Macedonian economy is recovering from the recent global crisis. Economic growth is expected to accelerate to 3-3.5% in 2011 and to around 4-4.5% in the medium run, although

⁵⁵ The Former Yugoslav Republic of Macedonia 2010 Progress Report, Brussels, 9 November 2010.

early elections may cap growth. Fiscal deficit was reduced to 2.5% of GDP in 2010. The 2011 fiscal deficit target remains low at 2.5% of GDP. Plans to issue a Eurobond were postponed, due to early elections and renewed turmoil in some Eurozone countries. 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. According to the 2011-2013 Fiscal Strategy, the fiscal deficit will be reduced to 2.2% in 2012 and 1.9% by 2013, which should slightly increase the government debt to around 27% of GDP. However, significant obligations due to 2013 (EUR 175 million) and 2015 (EUR 150 million) Eurobonds give policymakers reason to be cautious⁵⁶.

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 7 presents the absolute poverty as percentage of the population.

Figure 7⁵⁷: Absolute poverty, percent of population



Regarding the health reforms, and in accordance with the Strategic Plan of the Ministry of Health 2009-2011, several major reform steps were planned to be undertaken and officially implemented. The strategic plan was based on the governmental programme and aims at:

- improved health situation of the population, through implementation of a system for the monitoring of the health status and monitoring and control of communicable diseases;
- improved quality of health protection and health services, improved access in the provision of health services (patient-focused health services, improved services at the primary level in rural areas, improved pharmaceutical services);
- sustainable, effective and (economically) accessible system for the provision of health services (sustainable financing of the health system, efficient mechanisms for the financing of health care institutions, concept of developed health information system);

⁵⁶ World Bank - FYR Macedonia Partnership, Programme Snapshot, March 2011.

⁵⁷ World Bank - FYR Macedonia Partnership, Programme Snapshot, March 2011.

- improved collaboration and information exchange among all interested parties and improved distribution of information to the population (local self-government level, centre for information and health prevention within the Public Health Institute);
- adopted health care system for access to EU (multilateral, regional and bilateral collaboration)
- adopted health care system for access to NATO
- improved planning of quality of health care services (strengthened capacities of human resources at all levels, continuous medical education, increased transparency, inclusion of non-governmental organisations).

Under the listed aims, activities of the Ministry of Health were in the provision of medical equipment for PHI (financed from the state budget) amounting to EUR 160 mill. 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 card⁵⁸.

Preventive activities covered the attempt to revise the National Immunisation Programme, which was postponed, and active support to the vertical National Programmes (preventive and curative), financially covered from the state budget.

HIF, the national central institution for financing health insurance, in the last report on the work of the HIF 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. Additional information on service provision in hospitals was explained and in detail elaborated in the Report on DRG for the period January-December 2010. This report presents basic statistical data on morbidity in hospitals, as well as basic statistical information on service provision. Out of the total number of services provided in hospitals (based upon DRG codes), 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 data from 2009 where ALOS was 6.2 days. 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 rehabilitation⁵⁹.

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, that 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

⁵⁸ Strategic Plan for 2009-2011 of the Ministry of Health.

⁵⁹ DRG Report for 2010, HIF.

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 goals⁶⁰.

2.3.4 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 sector is not sustainably financed. Financial aspects (at micro and macro level) have not deprived the overall financing of health. Despite a relatively calm economic and financial situation, health 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, 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 provision of health services. Thus, inequalities in access to health 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 debts, the struggle and difficulties lies 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 failed. Hospitals are in a similar situation, with oversized facilities on the one hand and a lack of provision of efficient health services on the other.

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. Private-public partnerships in health were announced by the government as a possible solution in strengthening the health 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. Saying this, 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 an overload of clinic hospitals in Skopje and increasing / high number of transfers of patients from regional hospitals to Skopje clinic hospitals. Lack of access to health services was noted in preventive services with regard to immunisation.

⁶⁰ Health and Health Protection of the Population in Macedonia, Public Health Institute, 2010.

Recent epidemics of parotitis (mumps) and morbilli (measles) emerged mostly in rural areas, despite high coverage of national immunisation programmes (over 90%).

The health 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 living⁶¹.

The existing system of long-term care in the Republic of Macedonia encompasses services of social and health care in the existing institutions, as well as care provision outside of institutions. The scope of service provision is defined in the current Law on Health Protection, the Law on Health Insurance and Law on Social Protection. The current legal framework regarding long-term care protection relates to service provision to elderly, persons with physical or mental disability and deprived populations who need assistance in carrying out daily activities.

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

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 (negative increase of 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 km²), the average density of population in Macedonia is 79.6 inhabitants per km², but the region of Skopje has a density of 329 inhabitants per km². 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

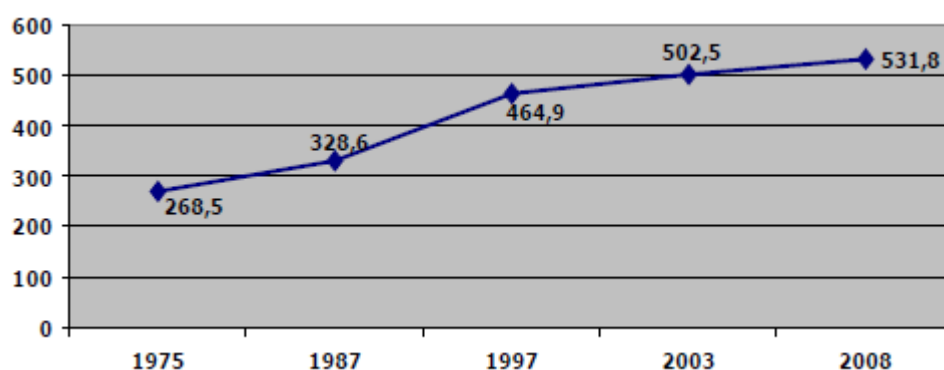
⁶¹ Dimitrievska V., The model of long-term care, June 2010.

rural areas. The migrating population is predominately young, while elderly people remain left behind in rural areas⁶².

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, as shown in Figure 8. There is a notable increase in mortality rates from ischemic disease, especially in the male population.

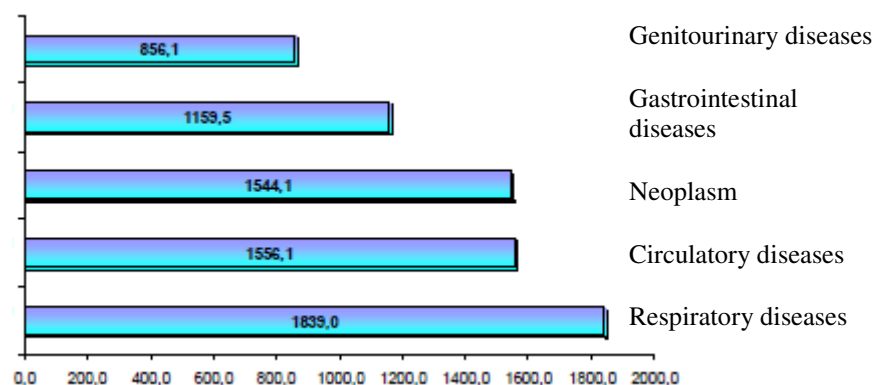
Figure 8: Mortality rates from circulatory diseases (per 100,000 inhabitants)



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 the 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). However, the leading cause of mortality in Macedonia remains circulatory diseases (about 58%). The second leading cause of mortality is neoplasm, with trends towards an increase in rates.

Regarding morbidity trends, the situation is very similar, with respiratory diseases being the leading cause of morbidity. Picture 4 presents hospital morbidity in Macedonia for 2009 per 100,000 inhabitants⁶³.

Figure 9: Morbidity in 2009 (per 100,000 inhabitants)



⁶² National strategy for elderly 2010-2020, MLSP.

⁶³ 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 institution⁶⁴. 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 levels⁶⁵.

Support for elderly, as defined by the law, can be obtained as:

- continuous financial support,
- financial support for obtaining help and care from another person,
- single financial support or support in commodities,
- financial support for social housing,
- health protection for beneficiaries of continuous financial support,
- social service,
- home care and support to individuals or family,
- daily care (daily stay, nutrition, personal hygiene)
- temporary care (elderly as victims of violence)
- foster family, where no other option is available.

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:

- Institute for gerontology “13th November”, department Mother Theresa, Skopje (111 beds),
- Home for the elderly “Sue Rider” Bitola (140 beds),
- Home for the elderly “Zafir Sajto”, Kumanovo (165 beds) and
- Home for the elderly “Kiro Krsteski – Platnik”, Prilep (151 beds).

⁶⁴ Law on Family, official Gazette 84/08, Art. 181.

⁶⁵ Law on Social Protection, Official Gazette No. 79/2009.

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 for Local Self Government⁶⁶ 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.

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 needs to be advocated, promoted and endorsed.

2.4.2 Debates and political discourse

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

The implementation of the strategy will be through implementation of the basic principles of independency, 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-sectoral 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.

⁶⁶ Law on Local Self-government, Official Gazette No. 5/2002.

Major debates have not been undertaken. Some media reported extremely poor housing and health of recipients of social benefits, socially deprived people and homeless people in the community. Debates were oriented towards the initiative the MLSP undertook to cut down the financial social support to registered social benefits recipients if they received any occasional income during the year, mostly due to seasonal work. It was debated that this measure was neither undertaken for any registered period, i.e. only when income occurred, nor had any maximal limits for the registered income been established. This provoked serious public reactions because it disabled occasional work of seasonal workers and additionally damaged their socio-economic situation.

2.4.3 EU impact policies on long term care

The national strategy for the elderly 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 for individual choice in the context of essential rights of the current population and the needs of the future population. It enables 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 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 homes⁶⁷.

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 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.

⁶⁷ Dimitrievska V., The Model of Long-term Care, June 2010.

Daily centres for accommodation and care of elderly and homeless people operate separately within the country. Their work is mostly community-based provision of services at the level of local self-government. Unfortunately, those are isolated initiatives and 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 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 of the MLSP draws the paths of recognition, organisation and, finally, implementation of appropriate health and social 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 centres and institutions), particularly for people from rural areas.

Deinstitutionalisation in light of a decentralisation policy is present both in health 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 is lacking as well as a structured approach. The issue of quality of service provision remains weak, 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-term care needs to be taken into serious consideration when planning health and social 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.

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SSM- ASSOCIATION OF UNIONS OF THE REPUBLIC OF MACEDONIA AND CONFEDERATION OF FREE UNIONS, Initiative on the introduction of multiple retirement conditions in the Law on Pension and Disability Insurance, Skopje, retrieved on 1 February 2011 from: http://www.ssm.org.mk/index.php?option=com_content&view=article&id=591%3Ainicijativa-za-poveke-uslovi-za-penzioniranje&catid=120&lang=en.

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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 статистички извештај за 2010 година за состојбите во капитално финансирано пензиско осигурување”, January 2011, Skopje, retrieved from: <http://www.mapas.gov.mk/WBStorage/Files/Godisen%20statisticki%20izvestaj%202010.pdf>

“Annual Statistical 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 2010”, was not published at the time of preparing this Asisp Report, the data used here are from the “Report on the Developments of the Fully-funded Pension System in 2009”.

[R3; R5] SSM - ASSOCIATION OF UNIONS OF THE REPUBLIC OF MACEDONIA AND CONFEDERATION OF FREE UNIONS, ИНИЦИЈАТИВА за воведување на повеќе услови за пензионирање во Законот за пензиско и инвалидско осигурување, 1 February 2011, Skopje, retrieved from:

http://www.ssm.org.mk/index.php?option=com_content&view=article&id=591%3Ainicijativa-za-poveke-uslovi-za-penzioniranje&catid=120&lang=en

“Initiative on the introduction of multiple retirement conditions in the Law on Pension and Disability Insurance”

SSM submitted an initiative for relaxing the retirement conditions, and primary motive for this initiative was taking care of certain categories of workers that cannot be retired by the current Law on Pension and Disability Insurance - redundant workers and other groups of workers mainly in their 50's and 60's. For that reason SSM organised a Round Table to which this initiative was presented before the representatives of the Ministry of Labour and Social

Policy (MLSP), Ministry of Finance, the Pension and Disability Fund, the Chamber of Commerce, etc.

[R2] COMMISSION OF THE EUROPEAN COMMUNITIES, Работен документ на Комисијата-Извештај за напредокот на Република Македонија за 2010, Brussels, 9 November 2010, page 39-40 retrieved from:

http://www.sep.gov.mk/content/Dokumenti/EN/NPAA2011_narativen_del.pdf

“Commission Staff Working Document-The Republic of Macedonia 2010 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-2010, was noted that some progress has been made in the area of occupational pensions. The report again points to the national legislation that the pension funds can invest only 30% of their assets in non-domestic securities, which is against the principles of EU law. In this context, it should be pointed out that in 2010, the legislation was amended again in terms of further increasing the investment abroad up to 50% of the total pension funds assets. Apart from the comments on the limits for investments abroad, the report points out that there is no credible enforcement record yet in applying risk-based supervision.

[R2] GOVERNMENT OF THE FYR MACEDONIA-SECRETARIAT FOR EUROPEAN AFFAIRS, Национална Програма за усвојување на правото на Европската Унија-Ревизија-2011, 28 December 2010, Skopje, page 98-100, retrieved from:

http://www.sep.gov.mk/content/Dokumenti/EN/NPAA2011_narativen_del.pdf

“National Programme for Adoption of the Acquis Communautaire-Revision-2011”

In 2007, the government of the Republic of Macedonia adopted the National Programme for Adoption of the Acquis Communautaire (NPAA), which is the key document for the EU integration process, reflecting the dynamics of harmonisation of the national legislation with the EU laws, as well as the adjustment of national institutions to the EU administrative structures. This document presents a third revision of the NPAA and focuses on future in-depth analysis of the acquis communautaire and its relation to the national legislation, including recommendations from the EC Progress Report for 2009. Chapter 3.9.2 Insurance and Occupational Pension Insurance of the document, points out that MAPAS’s progress should be focused on the introduction of risk-based supervision, strategic and business planning, research as well as development of business and IT processes.

[R1; R2; R3, R5] MACEDONIAN PENSION AND DISABILITY INSURANCE FUND

Извештај за пензискиот систем во Република Македонија со актуарски проекции, May 2010, Skopje, retrieved from: <http://www.piom.com.mk/informacii/statistika/40.html>

“Report on the pension system in the Republic of Macedonia with actuarial projections”

The report made by the Actuarial Unit includes a brief overview on the reformed pension system, data on contributions, benefits, number and structure of the pensioners. In addition, the report analyses data on the financial condition of the system with focus on the long-term actuarial projections for the future financial sustainability of the pension system, including

calculations on the percentage of GDP. This report also forecasts short and long-term projections for revenues and expenditures, taking into consideration the expected demographic and economic trends, based on different assumptions for the pension policy. The Actuarial Report includes projections on the influence the decrease of the contribution rates had on the revenues, for the next 80 years. The report also consists of the comparison of revenues had there been no reductions.

[R2; R3; R5] MACEDONIAN PENSION AND DISABILITY INSURANCE FUND,

Извештај за работењето на Фондот на пензиското и инвалидското осигурување на Македонија за 2009 година, April 2010, Skopje, retrieved from: <http://www.piom.com.mk/informacii/statistika/40.html>

“Report on the operations of the Macedonian Pension and Disability Fund for 2009”

Each year, the Macedonian Pension and Disability Fund submits an annual report to the Management Board which is also subject to approval by the Macedonian Government. Disclosed in the report are data on the financial results for 2009, with more details on the revenues and expenditures, losses, the structure of the financial sources as contributions, budget transfers, etc. In addition, the report consists of data related to the dependency ratio between the average wage and the pension benefit and includes certain transparent information for the PDIF costs for services.

[R1; R2; R3; R; R5] MINISTRY OF LABOUR AND SOCIAL POLICY, AGENCY FOR SUPERVISION OF FULLY-FUNDED PENSION INSURANCE AND WORLD BANK, “Меѓународна Конференција за Пензиски Реформи и Идни Предизвици”, 12 April 2011, Skopje, retrieved from:

<http://www.mtsp.gov.mk/?ItemID=FB79BA05971E2E4B920032135EE3104A>

“International Conference on Pension Reforms and Future Challenges”

The conference, organised by the Ministry of Labour and Social Policy, MAPAS and the World Bank, was a good opportunity for debates on the pension systems models in the CEEC and the region, on the risks from the demographic and economic movements as well as the future challenges. The conference was divided into several panel discussions: pension system today; future steps and challenges for the second and the third pillar; and pension funds and capital markets.

[R1; R4] STATE STATISTICAL OFFICE, “Жените и мажите во Република Македонија, 2010” retrieved from: <http://www.stat.gov.mk/Publikacii/Gender2010.pdf>

“Men and Women in Macedonia 2010”

The booklet “Women and Men in the Republic of Macedonia” is the fifth publication on gender statistics produced by the State Statistical Office, and contains data on the demographic characteristics of women and men in the Republic of Macedonia, their participation in social protection and in other areas. The publication also contains a number of indicators of the status of women and men in formal and informal employment, as well as for their participation in the labour market.

[H] Health

[H1; H5] HEALTH INSURANCE FUND OF THE REPUBLIC OF MACEDONIA (2010). Godišen izveštaj za 2009 za radoteweto na Fondot za zdravstveno osiguruvawe na Republika Makedonija i analiza na ekonomsko - finansisko rabotewe na fondot i zdravstvenite ustanovi. Retrieved in January 2011 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 2010 was not published, therefore data used on health expenditures are for 2009.

[H1; H5] HEALTH INSURANCE FUND OF THE REPUBLIC OF MACEDONIA (2011).

Analiza na realizacijata na sredstvata na FZOM i na buxetite na JZU vo 2010. Retrieved in April 2011 from:

<http://www.fzo.org.mk/WBStorage/Files/Analiza%20za%20realizacijata%20na%20sredstvata%20na%20FZOM%20i%20na%20buxetite%20na%20JZU%20vo%202010%20godina.pdf>

“Analysis of the realisation of funds from the fund and budgets of PHI in 2010”

This is an informative publication of the HIF where analysis of the expenditures of HCI was 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). DSG - Dijagnosti~ko Srodni Grupi, izveštaj za periodot januari - Dekemvri 2010. Retrieved in February 2011 from:

<http://www.fzo.org.mk/WBStorage/Files/DSG-Godisen%20izvestaj%202010.pdf>

“DRG – Diagnostic-Related Groups, Report for the period January – December 2010”

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. Analyses from the retrieved data from hospitals are performed. Information from hospitals presents basic statistic health parameters and presents 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.

[H2] INSTITUTE FOR PUBLIC HEALTH (2010). Zdravje i zdravstvena zaštita na naselenieto na Republika Makedonija. Retrieved in April 2011 from:
http://www.iph.mk/images/stories/PDF/izvestaj_zdravje.pdf

“Health and Health Protection of the Population of the Republic of Macedonia”

This report, published by the national public health centre of Macedonia, presents basic statistics on all public health issues. It presents basic demographic and socio-economic indicators, the health system of the country, indicators for healthy lifestyles, control of communicable and non-communicable diseases, environment and health and health status of the population through different life cycles.

Note: At the time of preparation of this report, the latest yearly report for 2010 was not published, therefore, data used on health status of the population of Macedonia are for year 2009.

[H3; H4] LAZAREVIK, Vladimir. Креирање политики за подобрување на пристапот до здравствените услуги на населението: Расчекор меѓу желбите и практичната примена. Revija za socijalna politika. Godina 3, br.5. Skopje Juli 2010. Retrieved in April 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.

[H3; H4; H5] MACEDONIAN PHYSICIANS’ CHAMBER (2011). Vox Medici. Prof. d-r Vladimir Borozanov: izveštaj za rabotata za periodot 2009-2010 godina. Komunikaciite so zdravstvenite vlasti ednonaso~ni. Sogleduvawa i stavovi na lekarskata komora za primena na proektot za nagrduvawe spored uinok vo pilot ustanovite. Godina XX, broj 70, mart 2011. Retrieved in March 2011 from: <http://www.lkm.org.mk/VoxMedici/70.pdf>

“Prof. Dr. Vladimir Borozanov: Report on the work for the period 2009 and 2010. Communication with health authorities goes one way. Overview and viewpoints of the physicians’ chamber on the implementation of the project for payment per performance in pilot institutions.”

This publication by the president of the physician’s chamber clearly states dissatisfaction of the chamber with the project, its implementation and difficulties in communication with the health authorities. Furthermore, several concrete suggestions are proposed to the health authorities aiming at overcoming misunderstandings and problematic issues with this project. In addition, open letters to the Prime Minister Nikola Gruevski and the Minister of Health are presented, where the chamber asks for active involvement of this professional organisation in undertaking and implementing major reforms in the health sector.

[H3; H4] MILEVSKA - KOSTOVA, Neda. Reformite vo zdravstvoto - privatizacija na primarnata zdravstvena zaštita i drugi modeli za podobruvawe na efektivnosta i efikasnosta vo koristeweto na zdravstvenite resursi. Revija za socijalna politika. Godina 3, br.5. Skopje

Juli 2010. Retrieved in April 2011 from:

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

“Healthcare reforms – privatisation of primary health care and other models for improvement of the efficiency and effectiveness of the use of health care resources”

The Republic of Macedonia, in parallel with the transition from agreed to market economy and political pluralism, has been going through a phase of elaborate reforms in the health care system. In 2005, the reform of the primary health care was undertaken intensively, through its transformation from the public into private sector, using the concession approach of public services provision by private health care providers. This process, which was completed in 2007, involved the Ministry of Health of the Republic of Macedonia, the Health Insurance Fund of the Republic of Macedonia and, through HIF, the users of health care services, as well as the public health care settings in primary health care. Almost three years later, some of the effects of this transformation can be evaluated and can serve as good experience for the upcoming reforms of the other segments of the health care system – secondary and tertiary health care. However, due to the specificity of the secondary and tertiary health care, these two segments cannot be transformed using the exact same model, therefore, this paper reviews the possible models for reforming in the direction of improvement of the utilisation of the health care resources. At the same time, besides the economic aspects, the principles of solidarity, equal access to health care, quality of care and patient safety are taken into consideration.

[H2; H3; H4] MINISTRY OF HEALTH OF THE REPUBLIC OF MACEDONIA, Strategic plan na Ministerstvoto za zdravstvo 2009-2011. Retrieved in April 2011 from:

<http://moh.gov.mk/index.php?category=29>

“Strategic plan of the Ministry of Health 2009-2011”

Strategic plan of the Ministry of Health presents vision, main objectives, mission and policy of the Ministry of Health for the period 2009-2011. This strategic document has its importance in outlining the health policy which the ministry follows: access to health services, improved health status of the population, integration of the system for exchange of information in the health sector, accession to EU, sustainable pharmaceuticals policy, etc. This policy, in principle, is designed to strengthen the health system of the country.

[H3; H4] TRAJKOV, Ivan. Децентрализација на здравствената заштита во делот на менталното здравје – отпочнување на процесот на дехоспитализација. Revija za socijalna politika. Godina 3, br.5. Skopje Juli 2010. Retrieved in April 2011 from: <http://www.fzf.ukim.edu.mk/files/revija%205%20finalna.pdf>

“Decentralisation of mental health care - start of the dehospitalisation process”

Facing the problems and all the negative sides of the centralised mental health system developed an opportunity for a big change and real reforms in this area, such as the decentralisation of the health care, and taking the patients out of hospitals and into their natural environment and continuing with the treatment there. The process of dehospitalisation puts an accent on the reintegration of the patients, their transformation from patients into users of mental health care services and their reintegration in the society. The main goal behind dehospitalisation is to secure a complete social inclusion of the patient through: continuous improvement of the legislation, education of the administration, overcoming prejudice, setting up centres for mental health care within the communities. Psycho-social rehabilitation means

activating the community resources, including the family in the rehabilitation process, working on individual programmes for rehabilitation together with the users of the service. Dehospitalisation is an alternative to the mainstream mental health care in a hospital. Developing a concept for mental health care within the community would propose for a total revision of the current psychiatrist services, building a close relationship with the patients, improving the quality of the service and, at the same time, this will decrease the stigma and help the process of social reintegration. This should be an imperative to any society. The goal is to establish a flexible health care service and improve both the treatment and the prevention in the areas of mental health.

[L] Long-term care

[L] DIMITRIJEVSKA, Vera. Modelot na dolgotrajna nega vo Makedonija. Revija za socijalna politika. Godina 3, br.5. Skopje Juli 2010. Retrieved in April 2011 from: <http://www.fzf.ukim.edu.mk/files/revija%205%20finalna.pdf>

“The Model of Long-term Care in the Republic of Macedonia”

The OECD has defined long-term care as a “cross-cutting” policy issue that brings together 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. The existing system of long-term care in the Republic of Macedonia encompasses services of social and health protection in the institutions and out of the institutions. They have been defined in the frames of the current law regulative for health and social protection. Long-term care is usually provided to persons with physical or mental disability, the frail elderly and particular groups that need support in conducting their daily life activities. The conditions of long-term care in relation to access and quality of services in the country advert to various problems and barriers. The most significant barriers in terms of the access to social and health services are: lack of information for the existing services, not well-informed citizens who know their rights, physical distance to health centres and institutions, particularly for people in rural areas, etc. It has to be emphasised that institutional care for elderly people is not well developed in Macedonia, as illustrated by the existence of only four public homes for the elderly. On other hand, the institutional care for people with disabilities has a long tradition with a big influence on the medical model. The social model which ensures the integration into the society of these people is very slow due to weak administrative capacities and professional cadre.

[L] MINISTRY OF LABOUR AND SOCIAL POLICY OF THE REPUBLIC OF MACEDONIA (2010). Nacionalna strategija za stari lica. Retrieved in April 2011 from: <http://www.mtsp.gov.mk/WBStorage/Files/Strategija%20za%20stari%20lica%20juni.pdf>

“National Strategy for Elderly 2010-2020”

This strategic document of the MLSP is presented in four major parts. The first part gives a situation analysis of the ageing population, demographic trends and gives projections of the demographic profile of the country. The second part describes the vision, mission and guiding principles of the strategy for elderly 2010-2020. The third part defines strategic priorities and objectives of the strategy for elderly, while part four gives an action plan for implementation of the strategy.

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
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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 Mandatory Fully-funded Pension Insurance (annually:2006-2009); 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 инвалидско 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).

Fond za zdravstveno osiguruvawe na Republika Makedonia (FZOM) – 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.

Institut za Javno Zdravje – Public Health Institute (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 10 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.

Ministerstvo za zdravstvo na Republika Makedonija - 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.

Сојуз на Синдикати на Македонија-CCM-Union Association – SSM

Contact: Liljana Jankulovska and Milan Manovski Secretary of the Socio-
Economic Research Unit
Address: Udarna brigada bb, 1000 Skopje, Republic ofMacedonia,
Webpage: <http://www.ssm.org.mk>

This association has been established to protect the rights of workers and is one of the members of the tripartite body for social dialogue and negotiations (Social Economy Council). SSM participates in many debates regarding social issues, including comments on legislation concerning labour, pensions, social protection, living standard and other social issues.

Svetska Zdravstvena Organizacija, Kancelarija Skopje – 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.

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- (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>