



**GLOBAL
INITIATIVE**
AGAINST TRANSNATIONAL
ORGANIZED CRIME

ILLICIT FINANCIAL FLOWS IN NORTH MACEDONIA

DARDAN KOÇANI | ANESA AGOVIC

MARCH 2024



FROM VISION TO ACTION: A DECADE OF ANALYSIS, DISRUPTION AND RESILIENCE

The Global Initiative Against Transnational Organized Crime was founded in 2013. Its vision was to mobilize a global strategic approach to tackling organized crime by strengthening political commitment to address the challenge, building the analytical evidence base on organized crime, disrupting criminal economies and developing networks of resilience in affected communities. Ten years on, the threat of organized crime is greater than ever before and it is critical that we continue to take action by building a coordinated global response to meet the challenge.

ACKNOWLEDGEMENTS

This research report is an output of the Global Initiative Against Transnational Organized Crime (GI-TOC)'s Observatory of Illicit Economies in South Eastern Europe. The observatory is a platform that connects and empowers civil society actors in Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia. It aims to enable civil society to identify, analyze and map criminal trends, and their impact on illicit flows, governance, development, inter-ethnic relations, security and the rule of law, and supports them in their monitoring of national dynamics and broader regional and international organized crime trends.

The report's content is based on qualitative data and analysis collected through interviews with key experts from public institutions, non-profit organizations, the private sector and other stakeholders. We would like to thank our interview partners for their valuable insights and contributions. We also wish to acknowledge the significant contribution made by Ivica Simonovski in preparing the baseline assessment for North Macedonia. Special thanks to Fatjona Mejdini, Vanja Petrovic, Tuesday Reitano and Kristina Amerhauser for their feedback in preparing the country profile of North Macedonia.

This publication was created with the support of the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and the Norwegian Ministry of Foreign Affairs. We would like to express our gratitude to our partners at the GIZ for their valuable contribution throughout the project. However, the GI-TOC is solely responsible for the content of this publication. The views expressed here do not necessarily represent the opinions of the commissioning parties.

© 2024 Global Initiative Against Transnational Organized Crime.
All rights reserved.

No part of this publication may be reproduced or transmitted in any form or by any means without permission in writing from the Global Initiative.

Please direct inquiries to:

The Global Initiative Against Transnational Organized Crime
Avenue de France 23
Geneva

www.globalinitiative.net

Contents

Acronyms and abbreviations.....	1
INTRODUCTION.....	2
Key challenges.....	4
The role of civil society	4
NATIONAL RESPONSE	5
Understanding the risk	5
International cooperation	7
Supervision.....	8
Prevention.....	10
Private sector.....	12
Financial intelligence.....	13
Investigations.....	14
Confiscation	15
Non-profit organizations in the prevention of IFFs.....	16
RECOMMENDATIONS FOR POLICYMAKERS	17
Notes	18

Acronyms and abbreviations

AML	Anti-money laundering
CFT	Countering the financing of terrorism
EU	European Union
FATF	Financial Action Task Force
FIO	Financial Intelligence Office
FIU	Financial intelligence unit
GI-TOC	Global Initiative Against Transnational Organized Crime
IFFs	Illicit financial flows
IMF	International Monetary Fund
MONEYVAL	Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
MoU	Memorandum of understanding
NCC	National Coordination Centre for Combating Serious and Organized Crime
NPO	Non-profit organization
NRA	National risk assessment
PPO	Public prosecutor's office
PRO	Public Revenue Office
UN	United Nations
SELEC	Southeast European Law Enforcement Center
VASP	Virtual asset service provider



INTRODUCTION

Illicit outflows in North Macedonia for the period 2020 to 2022 stood at an estimated 5.72% of GDP, while illicit inflows were 1.62% of GDP.¹ Although North Macedonia was assessed to have the lowest criminality levels and highest resilience levels among the Western Balkan countries rated in the 2023 Global Organized Crime Index, it has a number of high-scoring criminal markets, such as financial crimes, human smuggling, and the trade in cannabis, heroin and synthetic drugs.²

The Global Initiative Against Transnational Organized Crime (GI-TOC) report on illicit financial flows (IFFs) in Albania, Kosovo and North Macedonia identified several issues, notably including the fact that IFFs in North Macedonia are strongly influenced by the country's role as a transit route for people and commodities moving between Asia and Western Europe.³ The most significant predicate crime component of IFFs in the country is corruption and abuse of power. Money channelled out of North Macedonia usually ends up in accounts in tax havens and jurisdictions offering clients secrecy and low taxes, with no obligation to disclose the ownership of bank accounts.⁴ In Transparency International's Corruption Perceptions Index, North Macedonia ranked 76 out of 180 countries and scored 42 out of 100 in 2023. The country's geographic position facilitates a substantial flow of people, goods and capital across its territory, making it vulnerable also to the irregular flow of people and illicit movement of goods and capital.

Construction, tourism-related services, casinos and organized games of chance, and agriculture are strongly linked to the informal economy and tax violations. One of the biggest problems in identifying money laundering is the large proportion of cash transactions taking place in the country, stemming from this reliance on the informal economy.

North Macedonia last published a national risk assessment (NRA) on money laundering and terrorist financing in 2020 (it has published two in total). The NRA has been complemented with further sectoral and thematic risk assessments, including for virtual asset service providers (VASPs), non-profit organizations (NPOs), a terrorist financing risk assessment and a national serious and organized crime threat assessment, as well as a risk assessment by financial supervisors and several strategic evaluations prepared by the Financial Intelligence Office (FIO). According to the 2020 NRA, which covered the period 2016–2018, the risk of money laundering is medium. The conducted analysis of the data indicates that abuse of official position, drug trafficking, tax evasion and migrant smuggling pose a high threat.

National authorities recognize the role of civil society in reducing IFFs through their involvement in preparing NRAs and establishing national anti-money laundering (AML) systems. They also acknowledge the work of investigative journalists in bringing cases to light. Civil society is also acknowledged as being helpful in initiating projects that seek to improve the capacity of authorities in the fight against IFFs. Still more engagement with civil society is required, however.

IFFs are understood by one public official in North Macedonia as money that is legally and illegally earned, transferred or used and that crosses borders, and that is generated from various sources such as: criminal activity, tax fraud, legal and illegal money transfers or cash transfers outside the country to finance terrorist activities, foreign terrorist fighters, violent extremist and radical groups and transfers to/from entities listed on United Nations (UN) and European Union (EU) sanctions lists.⁵

These flows are a significant challenge for North Macedonia. In the absence of a unified definition adopted by national authorities, it is impossible to prepare a national strategy for reducing IFFs, and this further complicates

the process of determining the competent institution in charge of reducing IFFs. The cross-border transfer of funds is generally carried out by physically moving cash across air and land borders; wire transfers; electronic transfers, trade-based money laundering; informal transfer systems (*hawala*); and transactions in virtual assets (i.e. crypto assets).

Legal entities are often formed specifically for money laundering, with cafes, restaurants and games of chance often serving as fronts for such activity. These companies often have no employees and do not perform any activity, other than serving as a vehicle that owns bank accounts used to transfer funds. Such entities often create false invoices, often for purported consultancy services. Foreign individuals and legal entities are added to the ownership structure of domestic legal entities and use the bank accounts of the legal entity to transfer funds obtained illegally.

Alongside presenting money flows as stemming from services that were in reality not performed, such entities are also used as a front for short-term loans that are in turn transferred through several domestic legal entities as loans, withdrawn in cash, and only then distributed accordingly. These transactions are designed to make it extremely difficult – or impossible – to pinpoint the ultimate beneficiary.

According to the International Monetary Fund (IMF), the informal economy accounts for 37.6% of the total economy of the country. This ranks North Macedonia fourth in the South Eastern European region on this metric. One of the biggest problems in detecting money laundering is therefore the prevalence of cash transactions.⁶

Investigative journalism has fed into several ongoing investigations by the public prosecutor's office (PPO). However, investigative journalists believe that the government should increase its commitment to promoting more media interest in reporting IFFs, since crime seeps substantially into the country's economy and exposing the perpetrators of such crimes will ultimately help improve both fiscal revenues and productive activity.

Competent investigative authorities are aware of the need to carry out parallel financial investigations, but these probes appear unsystematic. They rarely follow money of unidentified origins to detect their potential criminal source.

North Macedonia is a member of the Council of Europe, which mandates a monitoring body, the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), to monitor member states' compliance.⁷ This body is in turn an associate member of the Financial Action Task Force (FATF), the coordinating body that sets global standards in fighting money laundering and terrorist financing.

The country underwent a mutual evaluation through MONEYVAL that was published in May 2023. It highlighted progress and challenges in meeting the FATF's immediate outcomes 1–8, 10 and 11.⁸ North Macedonia achieved a substantial level of effectiveness for one outcome, while it was rated as moderately effective in meeting the others.⁹

This report has two main aims:

- To determine the compliance of national legislation with international standards for combating money laundering/terrorist financing as a part of IFFs.
- To evaluate the effectiveness of the national response to money laundering and terrorist financing within the context of efforts to adhere to the FATF's immediate outcomes.

The report also seeks to bolster civil society's knowledge of IFFs by providing an up-to-date and easily understandable departure point for those seeking to investigate cases and trends. It combined a desktop and literature review with qualitative interviews. For the latter, the authors engaged with stakeholders, including civil society representatives, public servants, investigators, investigative journalists and public prosecutors. The report

also draws on information provided in the 2023 mutual evaluation report, North Macedonia's NRAs and the above-mentioned GI-TOC report on IFFs in the Western Balkans.¹⁰ All these sources were key to evaluating the channels and components of IFFs in North Macedonia.

Key challenges

- IFFs are not yet officially fully defined in North Macedonia.
- The country's own last NRA put the risk of money laundering at a medium level.
- The conducted analysis of the data indicates that abuse of official position, drug trafficking, tax evasion and migrant smuggling are high threat areas.
- There is a lack of policy coherence in tackling IFFs and lack of coordination within and between institutions.
- Financial and non-financial institutions (especially the latter) suffer from a knowledge gap on IFFs and the dangers they pose.
- Parallel financial investigations are not systematically pursued, and they rarely follow money of unidentified origin to identify the potential criminal source and are mostly only conducted in relation to predicate offences.
- There is a lack of comprehensive national statistics.

The role of civil society

The role of civil society in tackling IFFs is pivotal in increasing awareness, conducting studies and uncovering cases. Investigative journalism plays an especially important role in forestalling and combating IFFs, notably through the Balkan Investigative Reporting Network, a collection of non-governmental organizations promoting freedom of speech, human rights and democratic values in Southern and Eastern Europe, including in North Macedonia. Through high-quality reporting and by creating a pool of skilled journalists, the main aims of this organization are to examine key processes and to investigate corruption, money laundering and IFFs, steer debates and to provide the public with impartial and reliable information.¹¹

Alongside the North Macedonian branch of the Balkan Investigative Reporting Network, on a national level, the Investigative Reporting Lab seeks to increase the influence of investigative reporting on society and help citizens understand how corruption affects their lives. These organizations seek to rebuild trust in institutions by improving confidence in media and increasing pressure on the PPO, which maintains only a low number of open investigations and struggles to deal with IFFs due to low capacity. Investigative journalism, supported by organizations such as these, shines the spotlight on financial malpractice, promoting transparency, accountability and public understanding of corruption and IFFs. Collaborative initiatives and an interdisciplinary approach strengthen the media's role in building trust and bringing about positive social change. This innovative and interdisciplinary approach involves reporters' cooperation with academics, technology experts, marketing experts, bloggers and civil society activists.¹²

NATIONAL RESPONSE

Understanding the risk

North Macedonian authorities generally maintain a good understanding of the country's money laundering and terrorist financing risk. However, they possess limited understanding of wider IFFs, a situation not helped by the absence of a definition of these flows and the lack of a specific strategy to combat them. An NRA has been complemented by further sectorial and thematic risk assessments.¹³ According to the national assessment, which focused on the period 2016–2018, the risk of money laundering in North Macedonia is medium. As noted in Figure 1, abuse of official position, drug trafficking, tax evasion and migrant smuggling are viewed as posing a high risk in and to North Macedonia, while deliberate default on loans, other financial fraud, insurance fraud, burglary and forestry devastation are likewise categorized as high risk.¹⁴

PREDICATE CRIMINAL OFFENCE	THREAT LEVEL
Abuse of official position and authorization	High
Tax evasion	
Smuggling of migrants	
Unauthorized drug trade	
Damage or privilege of creditors	
Fraud	
Burglary	
Devastation of forests	
Extortion	Medium
Usury	
Embezzlement in service	
Smuggling pursuant	
Robbery	
Concealment	Low
Purposeful creation of bankruptcy	
Counterfeiting securities	
Abuse of a public call procedure, procedure for awarding public procurement agreement or public and private partnership	
Human trafficking	

FIGURE 1 Level of threat of money laundering from predicate criminal offences, 2020 national risk assessment.

Source: North Macedonia finance ministry, Financial Intelligence Office

The construction sector (notably construction of motels for three-hour rentals) has the highest vulnerability to money laundering, followed by restaurants and bars, organized games of chance and security protection services. There are also reports that organized criminals have infiltrated the country's energy market.¹⁵ Money channelled out of North Macedonia illicitly often ends up in Bermuda, the Bahamas, Belize, Seychelles, Saint Vincent and the Grenadines, Panama, the British Virgin Islands and the state of Delaware in the US,¹⁶ the latter being home to a large North Macedonian diaspora.

According to established typologies, organized criminal groups use legal businesses (construction, gambling and casinos, security services, and cash-based businesses such as restaurants and coffee shops) to inject criminal proceeds into the accounts of legally registered entities and thus distance such proceeds from their true source through a series of transactions. The NRA confirms that criminal groups in the region use varying payment methods to launder proceeds and investigators observed that money flows generated by these groups are difficult to trace as they often involve individuals with clean criminal records.¹⁷

Generally, serious and organized crime in North Macedonia is manifested through independent or networked activity of organized criminal groups at the national, regional and wider international levels, in one or more criminal areas, the purpose of which is to achieve financial and material benefit.

There are 26 organized criminal groups identified by the interior ministry that operate in North Macedonia. They are involved in various criminal markets: illicit drug trafficking (13); migrant smuggling (three); cigarette smuggling, smuggling of goods such as tobacco, medical drugs, excise goods, etc (four); counterfeit money, the illicit arms trade and illicit trade in artefacts and cultural goods (six).¹⁸

The geographical location of the country feeds into the two key criminal markets; illicit drug trafficking and migrant smuggling. Money laundering together with corruption are the biggest enablers of these organized criminal groups, which are structured in unattached criminal networks.¹⁹

Illicit drug trafficking is on the rise. Large quantities of cannabis from Albania transit through North Macedonia to Turkey.²⁰ The transport of heroin bypasses North Macedonian territory, which results in a reduced presence.²¹ North Macedonia does not have a strategic role in the cocaine trade; it is used primarily as a transit country and in a smaller number of cases as a final destination. However, cocaine seizures increased over the period 2019 to 2021.²²

With the legalization of the production of cannabis for medical purposes, overproduction has resulted. On several occasions, North Macedonia's police force has seized large quantities of legally produced cannabis from companies that have a production licence but have abused their legitimate status to channel produce to the black market.²³ A new trend in the illicit trade in synthetic drugs has been identified with the discovery of an illegal modern laboratory in the capital Skopje.²⁴

Authorities have a good understanding of tax evasion, a key facet of IFFs that is perpetrated by managers and owners of legal entities. Tax evasion is declining, but VAT fraud is the dominant driver, through the creation of fictitious invoices in the absence of a genuine debt-creditor relationship between legal entities. Tax evasion also persists through the sale of traded goods for cash without preparation of appropriate documentation or payment into corporate accounts. A total of 226 tax evasion related offences were detected during 2016–2019 by competent authorities generating unlawful proceeds of more than 1 billion Macedonian denars (MKD) (around €16 million). VAT return scams are the most prevalent tax evasion schemes, involving the misuse of legal persons placing the illegal proceeds in tax havens abroad.²⁵

Despite the informal economy equating to more than 30% of the GDP, the extent to which it influences money laundering activities in the country has been insufficiently analyzed, according to the 2020 NRA. The latest labour force survey by the International Labour Organization estimated that 13.8% of employment in the country is in the informal sector, with agriculture and construction being the most exposed sectors.

The private sector was a significant partner in the development of the NRA.²⁶ Its representatives were actively involved in the process through providing data (surveys) and analysis, and assistance in drawing up conclusions in specific areas (notably, the vulnerabilities of the banking sector, non-banking financial institutions and non-financial reporting entities).

There are shortcomings in compliance and efficiency in relation to the identified risks, which are to be remedied through enhanced measures, as legislation does not explicitly link such measures with the cases in which a higher risk is identified.

International cooperation

IFFs often have an international dimension and require effective international cooperation mechanisms to identify illicit proceeds and provide evidence for successful financial investigations. A combination of informal bilateral cooperation with financial investigation units and other investigative authorities,²⁷ as well as the formal mechanisms for international cooperation between countries,²⁸ are key to the success of financial investigations. However, North Macedonian authorities indicated poor efficiency in the exchange of information through informal cooperation between financial intelligence units (FIUs). According to the authorities, some countries' FIUs do not forward pertinent information or are late with responses.

North Macedonia provides a wide range of mutual legal assistance to counterparts. The legal framework for this collaboration was established by the Law on International Cooperation in Criminal Matters,²⁹ as well as UN and Council of Europe conventions, treaties, ad hoc agreements and bilateral arrangements.

The justice ministry is the central authority in North Macedonia for receiving and distributing incoming mutual legal assistance and extradition requests. However, some requests are directly received by the PPO and Basic Public Prosecutor's Office for Prosecuting Organized Crime and Corruption, predicated on international cooperation agreements signed with other jurisdictions. The government has not established clear policy objectives for the justice ministry or prosecutors on how to manage, track and execute AML objectives internationally, including extraditions.

The formal and informal channels for international cooperation and the exchange of information established by the competent authorities are set out in Figure 2.

INSTITUTION	CHANNEL OF INTERNATIONAL COOPERATION
Financial Intelligence Office	Egmont Group
Interior ministry	Europol, INTERPOL, Southeast European Law Enforcement Center (SELEC), Camden Asset Recovery Inter-Agency Network, MoUs
Justice ministry	European Union Agency for Criminal Justice Cooperation (EUROJUST), international legal assistance
Customs administration	Customs Enforcement Network, SELEC, protocols, MoUs, agreements
Financial police	INTERPOL, Europol

FIGURE 2 Formal and informal channels for international cooperation.

Source: Interviews with the above-mentioned institutions

North Macedonia's legal framework³⁰ permits the formation of joint investigative teams with international counterparts, but the country has yet to initiate a relationship on this basis. However, it has participated in joint investigation teams initiated by others. One such team was established by Bulgaria's PPO in April 2017 with North Macedonia's Basic Public Prosecutor's Office for Prosecuting Organized Crime and Corruption. This partnership investigated smuggling and computer fraud; it yielded useful evidence for both countries.³¹ Taking into account the small number of investigations, indictments and convictions, this points towards a general lack of vision for the systematic establishment of international cooperation when investigating money laundering and IFFs.



In North Macedonia, several international programmes have sought to strengthen capacities in the fight against IFFs. The global programme Combating Illicit Financial Flows, financed by Germany and Norway and implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), pursues a holistic ‘follow-the-money’ approach (prevention, financial investigation and asset recovery), while also helping to improve compliance with international standards.³² In North Macedonia, this programme has strengthened cooperation between law enforcement agencies, funded the purchase of specialized cash-sniffing dogs and helped establish beneficial ownership registers.

In support of the achievement of Sustainable Development Goal 16,³³ in June 2021 a Regional Roadmap on Anti-Corruption and IFFs (2021–2024) to fast-track the implementation of the UN Convention against Corruption was adopted by high level government representatives of Western Balkan countries. The roadmap focuses on three shared priority areas: (i) Preventing and countering corruption in public procurement, including in times of crisis; (ii) further strengthening conflict of interest and asset declaration systems; and (iii) enhancing criminal justice responses to corruption and economic crime through the creation of a regional network of specialized prosecutors, law enforcement and FIUs in the Western Balkans.³⁴

Supervision

According to the conducted risk assessments, four main channels for the movement of IFFs have been determined:

- The banking sector
- Money or value transfer services
- Physical transfer of cash
- Crypto blockchain technologies

According to the above, financial institutions are directly exposed to risks of illegal financial assets entering and circulating through the formal financial system.

The size of the domestic financial system in terms of its assets is 109.5% of GDP.³⁵ Banks are the dominant type of financial institution, with a share of more than 80% of total assets in the domestic financial system. Non-deposit taking financial institutions comprise about 19% of total assets of the domestic financial system.³⁶

In 2021, there were 5 148 entities responsible for taking measures and actions to prevent money laundering and financing of terrorism; a substantial number, in a country with a population of just 2.1 million people.

Supervisory authorities are mandated to ensure compliance by obliged entities with respect to their duties to prevent money laundering and terrorist financing. In accordance with the best international practices, supervisory authorities exercise their functions according to a risk-based approach, so that the supervisory cycle is more intense with respect to those sectors of activity and obliged entities with a higher risk of money laundering and terrorist financing. In determining the supervisory risk, authorities rely on their own operational and strategic analysis. Figure 3 summarizes all the sectoral risk assessments that the supervisory authorities have carried out.

INSTITUTION	SECTORIAL RISK ASSESSMENT
Securities Exchange Commission	Updated sectoral risk assessment
National Bank of the Republic of North Macedonia	Adoption of sectoral risk assessment of banks, savings houses, fast money transfer providers and exchange offices. Enforcement of horizontal analysis of the terrorist financing and proliferation risk in all banks in North Macedonia. Amendment of the on-site supervisory procedure where findings from the NRA became focal points of supervisory activities.
Public Revenue Office	Risk assessment – real estate Risk assessment – pawn shops

FIGURE 3 Sectoral risk assessments.

Source: Interviews with above-mentioned institutions

In accordance with Article 146 of the country's 2022 Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) Law,³⁷ supervision of the application of the measures and the activities determined by this law shall be conducted by the supervisory bodies.

SUPERVISORY AUTHORITIES	SUPERVISED AUTHORITY	SUPERVISED AUTHORITY	SUPERVISED AUTHORITY	SUPERVISED AUTHORITY	SUPERVISED AUTHORITY
National Bank of the Republic of North Macedonia	Banks	Savings houses	Foreign exchange offices	Providers of money remittances	Other financial institutions that provide payment services
Insurance Supervisory Authority	Insurance companies	Insurance brokerage companies	Companies for insurance representation	Insurance brokers	Insurance agents
Securities and Exchange Commission	Brokerage companies	Banks that hold a licence to work with securities	Persons rendering investment advisory services	Companies managing open, closed and private investment funds	
Agency for Supervision of Fully Funded Pensions	Companies that manage voluntary pension funds				
Public Revenue Office	Organizers of games of chance	Legal entities and natural persons that provide intermediation in trade with immovables	Tax advising companies	Legal entities that accept movable and immovable items as a pledge	
Postal agency	Postal firms				
Notary Commission	Notaries				
Lawyers Commission	Lawyers and lawyers' companies				

FIGURE 4 Supervisory authorities and obliged/supervised entities.

Source: North Macedonia's Anti-Money Laundering and Countering the Financing of Terrorism Law (Official Gazette No. 151/22)

The FIO, independently or in cooperation with the bodies referred to in Figure 4, supervises obliged entities' application of the measures and the activities determined by the country's 2022 AML/CFT law.

However, control and supervision over the non-governmental sector in relation to AML/CFT or reducing IFFs has not been established. Control over the non-profit organization sector is carried out by the Public Revenue Office (PRO), but only from a tax perspective.

In accordance with the Law on the National Bank,³⁸ the central bank is the licensing authority for all financial institutions (banks, savings houses, exchange offices, money remittance services and other financial institutions that provide payment services). Interviews conducted for this project also pointed to the role of unlicensed exchange offices, reflecting the State Exchange Inspectorate's lack of capacity. While the non-profit sector is not mandated to comply with AML/CFT legislation, it can contribute by participating in projects that enhance technical and human capacity. Such projects include the development of instructions, guidelines and indicators for the identification of suspicious transactions. Notable examples include projects by NPOs such as KONEKT and Democracy Lab Macedonia, which have successfully worked with obliged entities to raise awareness of IFFs.

VASPs are classified as obliged entities under the new AML/CFT law. However, weak technical expertise and personnel capacity are identified as shortcomings for effective supervision over these asset providers. There is a general lack of understanding of risk, mitigation, implementation of preventive measures and formal internal control across this sector.

Despite adoption of legislation based on international standards, risk assessment and other measures related to AML/CFT, supervision in the context of IFFs seems to be missing.

Prevention

Following the obligations arising from the national AML/CFT law as well as the internal AML/CFT programmes, all financial institutions and designated non-financial businesses and professions are obliged to assess the risk of products, clients, channels of distribution and geographical risk and to update these assessments at least annually.

According to the 2023 MONEYVAL report and North Macedonia's most recent NRA, obliged entities in the banking and insurance sectors demonstrate a good understanding of money laundering and terrorist financing risks. The understanding of risk among the majority of designated non-financial businesses and professions (besides casinos, lawyers and notaries) and some financial institutions, such as capital market entities and money and value transfer service providers, appears to focus narrowly on formal compliance with legal obligations rather than holistic risk prevention. Financial institutions understand their AML and CFT obligations, although some smaller-sized casinos were deficient in this basic obligation in contrast to large casinos which have a designated person and a deputy for compliance with AML regulations.



OBLIGED ENTITIES		
	TYPE	NUMBER IN 2021
1	Banks	13
2	Savings houses	2
3	Foreign exchange offices	243
4	Money remittance services	8
5	Sub-agents of money remittance services	242
6	Insurance companies	5
7	Brokerage houses	5
8	Companies managing open and closed investment funds	5
9	Companies managing private investment funds and private funds	30
10	Investment consulting companies	1
11	Mandatory and voluntary pension fund management companies	3
12	Post office of North Macedonia	1
13	Other financial companies	32
14	Providers of financial leasing	7
15	Real-estate agencies	133
16	Auditors	39
17	Accountants	1 983
18	Lawyers and lawyers' companies	2 101
19	Notaries	216
20	Casinos	6
21	Organizers of games of chance	9
22	Organizers of games of chance in an automatic club	27
23	Organizers of electronic games of chance	1
24	Organizers of online games of chance	1
25	Organizers of games of chance – lottery games of chance	1
26	Pawn houses	13
27	Legal entities mediating micropayments	2
28	Central Securities Depository	1
29	Virtual asset service providers ³⁹	18
Total		5 148

FIGURE 5 Obligated entities.

Source: Financial Intelligence Office, Annual Report for 2021, unless otherwise stated.

The most significant financial institutions conduct adequate ongoing monitoring based on customer risk profiling and they generally utilize analysis and crosschecks of various sources of data. However, foreign exchange offices lack effective measures to identify linked transactions, which can be abused to bypass customer due diligence. Designated non-financial businesses and professions use less robust systems and rely on periodical manual checks, which are usually commensurate with their risks and the nature and complexity of their businesses.⁴⁰

Obligated entities – especially financial institutions – perform customer due diligence in line with the requirements set out by the AML/CFT law. Enhanced due diligence is compulsory for all high-risk clients (this category includes non face-to-face business relationships, politically exposed persons, correspondent accounts, clients and/or transactions in or with high-risk countries and non-profit organizations). In identifying unusual and suspicious transactions, obligated entities use sophisticated AML and CFT software to generate red flags. If during the

customer due diligence process the need for a suspicious transaction report arises, an encrypted file is sent to the FIO. However, reviewing the FIO's annual reports, the overall number of suspicious transaction reports is incommensurate to the risk, context, and size of the country. Entire sectors, notably investment firms and exchange offices, filed no suspicious transaction reports over the period 2017–2021.

At a company level, statistics regarding these issues, as well as major sources of risk and mitigating measures taken by financial institutions, are contained in AML/CFT reports submitted to the CEO or equivalent, management board and supervisory board. Internal audits, as an additional line of defence, are a legally binding obligation implemented internally by banks to assess compliance with AML/CFT requirements (this is undertaken by internal AML/CFT departments). Obligated entities are also required to document and regularly update their internal risk assessments. They are also obliged to create action plans for the implementation of recommendations based on the entity level risk assessment and to check whether this assessment is in line with the national and sectoral risk assessment.⁴¹

The NPO sector does not consist of obliged entities and cannot undertake obligations under the AML/CFT law. However, this sector can help obliged entities through the implementation of various projects that build technical and personnel capacities, as well as the preparation of various instructions, guides, and indicators for recognizing suspicious transactions, among other things. Successful examples are projects centred on raising awareness and implemented by the NPOs KONEKT and Democracy Lab Macedonia.

Key challenges noted by representatives of obliged entities in interviews with the GI-TOC follow below:

- Constantly changing legal regulations.
- Increasing legal obligations.
- Lack of human capacity (driven in part by a departure of qualified workers from the financial sector, due to poor remuneration and excessive workloads).
- High cost of IT equipment; key software costs €2 million–€3 million.
- Lack of relevant education and training.

Private sector

Legal persons and arrangements should be prevented from misuse for money laundering or terrorist financing, and information on their beneficial ownership must be available to competent authorities without impediments. The beneficial ownership register has been operational since 27 January 2021 and is 92.5% complete. A total of 71 371 natural persons are registered as beneficial owners. Obligated entities as well as investigative authorities have direct electronic access to this information.⁴² The register is not completed entirely as some NPOs and companies are inactive. If companies have not registered the real owner, banks are obliged to avoid initiating a business relationship with such companies.

The national authorities have not yet undertaken a risk assessment of legal entities to establish which types of legal entities are disproportionately exposed to the risk of IFFs. However, from interviews conducted by the GI-TOC, VAT refund schemes perpetrated through legal entities to the benefit of major shareholders in private companies are clearly a significant risk factor for North Macedonia. The perpetrators of this type of criminal activity rely on the expertise of accountants, legal advisers and other persons with expert knowledge of customs and tax legislation. As they are backed by highly qualified specialists, new financial fraud schemes may emerge and the area of operation may expand. Execution of tax evasion essentially amounts to non-compliance with laws for the payment of mandatory duties in the form of taxes, contributions or fees to the state budget by falsifying documentation, and by misrepresenting data. There is substantial use of tax havens, according to the 2020 NRA.

The serious and organized crime threat assessment for 2019 conducted by the interior ministry contains analysis of the methods for misusing legal persons, including for tax evasion, drug trafficking and money laundering.⁴³ The assessment notes that organized criminal groups create and utilize well structured legal entities to operate internationally and cooperate with criminals from other countries to procure and transport large quantities of cocaine.⁴⁴ Organized criminal group members procure cocaine from suppliers in source countries and transport it by water and land to Europe using legal entities that they have established to import and export legal goods. Money earned from the sale of drugs is laundered through legal businesses – notably, in the construction sector and real-estate investments.

Financial intelligence

In the absence of a specific register of competent institutions responsible for reducing IFFs, data from the national money laundering and terrorist financing risk assessment will be considered, collated from the institutions within the national AML/CFT system. Based on financial analysis, the FIO submits reports and notifications to the competent authorities. Figure 6 displays FIO data on suspicious transaction reports.

YEAR	SUSPICIONS TRANSACTION REPORTS RECEIVED	REPORTS SUBMITTED	NOTIFICATIONS SUBMITTED	SPONTANEOUS INFORMATION SUBMITTED	AD ACTA	PROSECUTION (BASED ON FIO DISSEMINATED CASES)	TOTAL NUMBER OF PROVEN MONEY LAUNDERING CASES
2017	232	30	111	30	11	2	10
2018	194	32	123	42	9	1	2
2019	293	41	111	38	22	1	5
2020	292	25	102	49	17	1	3
2021	315	81	243	42	38	4	13

FIGURE 6 Statistics on money laundering and terrorist financing reports.

Source: Financial Intelligence Office, annual reports, 2017–2021

These institutions have adequate technical and personnel capacities. One of the main challenges faced by competent institutions is the monitoring of IFFs routed through payment platforms such as Paypal and Payoneer, as well as those conducted through blockchain technologies (virtual transactions). Moreover, another challenge is the monitoring of the cash that circulates within the framework of the informal economy and the *hawala* system.

Cooperation between the competent authorities is based on national laws and memorandums of understanding (MoUs). Additionally, the mechanisms for communication and coordination between the competent authorities, both in terms of policymaking and operations, have improved with the government’s adoption in September 2021 of the ‘National strategy for strengthening the capacities of financial investigations’.⁴⁵ An interoperability platform has been established and developed to facilitate the exchange of digital data between state institutions that otherwise rely on largely incompatible systems. However, the platform is not fully functional, so the exchange of information and data between stakeholders could be made more rapid and effective.

At the operational level, within the interior ministry, a National Coordination Centre for Combating Serious and Organized Crime (NCC) was established in 2014,⁴⁶ providing for the coordination and exchange of data and information between the interior ministry, the customs administration, the Financial Police Office, the PRO, the FIO and the Basic Public Prosecutor’s Office for Prosecution of Organized Crime and Corruption.



Organization, competencies and functions, as well as modalities for information exchange, and the type of information and records kept by the NCC are regulated by standard operating procedures. The NCC has been fully functional since 2018 and performs cross-linking, unification, processing and analysis of data in order to determine possible connections (including connections between persons, companies, vehicles etc) and it enables efficient exchange of information between institutions in real time.

FIU disseminations suggest that law enforcement agencies and prosecution use this intelligence only to a limited extent to develop evidence, launch investigations and trace criminal proceeds in relation to money laundering and terrorist financing, and underlying predicate offences.

Investigations

In mid-2021, the government adopted a dedicated strategy that aims to bolster investigative and wider institutional capacity in tracing and confiscating the proceeds of crime.⁴⁷

In the pre-investigation and investigation procedures, a series of actions are taken by the judicial police (interior ministry, Financial Police Office and customs administration). All law enforcement agencies have access to key databases (notably those of the employment agency, customs records on declarations, the labour ministry, central register, cadastre and beneficial ownership register). Also, they use i2 software for networking and data analysis based on given criteria.⁴⁸ Law enforcement agencies are aware of the need to carry out parallel financial investigations, but these are not systematically pursued

Between 2017 and 2021, for the crime of money laundering and other proceeds of crime under Article 273 of the Criminal Code, 31 cases resulted in successful convictions, and 33 people were found guilty, most of whom were convicted for concealing their own proceeds.⁴⁹ The authorities have acknowledged weakness in monitoring virtual transactions, reflected in limited capacity to conduct investigations related to crypto transactions. The PPO only deals with a low number of open investigations, which indicates low awareness.

Given the low volume of financial investigations, charges and verdicts, a thorough assessment should be undertaken of integrity issues in the judiciary and prosecution authority and their impact on the effectiveness of efforts to tackle IFFs.

	GOVERNMENTAL AUTHORITIES MANDATED TO TACKLE IFFS	OTHER ENTITIES ENGAGED IN TACKLING IFFS
1	Financial Intelligence Office	Obligated entities (financial and non-financial companies)
2	Interior ministry	Non-profit organizations
3	Public Revenue Office	Media
4	Financial Police	Journalists and investigative journalists
5	Customs administration	Academia (universities)
6	National Bank of the Republic of North Macedonia	
7	Public Prosecutor's Office	
8	Foreign affairs ministry	
9	Justice ministry	
10	Finance ministry	
11	Securities and Exchange Commission of the Republic of North Macedonia	
12	Central register of North Macedonia	

FIGURE 7 List of competent state authorities responsible for reducing illicit financial flows.

Source: Author's elaboration based on interviews and literature review

Confiscation

Confiscation of criminal proceeds – including by seizing assets of equivalent value in cases where the original proceeds are inaccessible – is a key policy objective in North Macedonia. This commitment is expressed in strategic objective 11 of the 2021–2024 national AML/CFT strategy,⁵⁰ which explicitly declares that illegally acquired income and instruments are to be confiscated. This strategic objective is also incorporated into the 2021–2023 dedicated strategy.⁵¹

North Macedonia’s criminal code enables the confiscation of objects stemming from crime (Art. 100-a(1)CC), proceeds of crime (Art. 97–98 CC) and instrumentalities serving its commission (Article 100-a CC). Also, confiscation of equivalent value is applicable to some types of property subject to confiscation, notably for proceeds of crime and the property that has been laundered.⁵² Some technical deficiencies as well as a limitation in applying temporary freezing measures during the pre-investigative stage of criminal proceedings present a risk that assets identified may not be available to competent authorities, once a final confiscation decision is made.

Regarding falsely declared or undisclosed cross-border movements of currency and bearer negotiable instruments, the customs administration has collated and published the value of detected misdemeanours for the period 2017 to 2021, although these amounts are small (see Figure 8). These actions were rarely followed by investigations into potential money laundering offences that could lead to the ultimate confiscation of proceeds. False or non-declaration of cash is still considered a misdemeanour rather than a criminal offence and triggers administrative procedures that mostly end up in fines and the confiscation of assets over the statutory threshold.

YEAR	MKD	€	US\$	CHF	GBP
2017–2021	n/a	713 160	56 840	69 060	22 760

FIGURE 8 Confiscated, falsely declared or undeclared, or undisclosed cross-border movements of currency and bearer negotiable instruments.

Source: Customs administration, annual reports, 2017–2021

In 2009, the government established the Agency for Management of Seized and Confiscated Property.⁵³ With the the establishment of this agency and the enactment of associated legislation, responsibility for the following areas are defined:

- Competencies, management, administration and other matters related to the work of the agency.
- Management, use and handling of temporarily forfeited property, proceeds and temporarily seized items.
- Forfeited property, proceeds and seized items based on enforceable decisions in criminal and misdemeanour proceedings.
- Permanently seized items in administrative proceedings.

However, the agency does not have the technical or personnel capacity to manage frozen, seized and confiscated virtual assets.

The legal framework provides for the confiscation of the proceeds of crime based on a conviction in the underlying case, but also in anticipation of a potential conviction, based on a pending case. Confiscation of the proceeds of a criminal offence has been carried out based on judgments passed for the crimes of money laundering and corruption, according to the public prosecutor.

YEAR	PROPERTY CONFISCATED	PROPERTY RECOVERED
2017	€5 000 and MKD1 003 067	-
2018	MKD75 695 588	€47 321
2019	MKD313 223	-
2020	€62 585 and other denominations	-
2021	€181 658 and MKD86 955 354	-

FIGURE 9 Conviction-based confiscation by related offence.

Source: Public prosecutor's office, annual reports, 2017–2021

According to the European Commission's 2022 progress report on North Macedonia, criminal asset confiscation is not sufficiently applied in criminal proceedings, since there were only four cases of asset confiscation in 2021.⁵⁴ There is evidently a gap between the ambitions of government strategy and the ability of authorities to combat IFFs through asset seizure.

Non-profit organizations in the prevention of IFFs

In a bid to adhere to FATF standards and recommendations on NPOs, in 2021 North Macedonia published the findings of its NPO terrorist financing risk assessment.⁵⁵ The aim of this assessment was to ensure NPOs' compliance with and implementation of immediate outcomes 1–8 and 10, thus enabling the implementation of a risk-based approach and proportionate measures to protect NPOs identified as being vulnerable.

The assessment was prepared by a working group comprising representatives from state bodies responsible for the establishment, registration, operation and monitoring of NPOs. The group also drew on representatives of relevant civil organizations and other entities representing NPO subgroups in-country.⁵⁶

The analysis was focused around FATF methodology and based on data from a variety of primary and secondary sources, including:

- inputs from the central registry, state statistical office, central bank, intelligence agency, national security agency, FIU and investigative bodies; and
- interviews, questionnaires and surveys conducted with financial institutions and NPOs.

For most NPOs, the risk in terms of financing of terrorism is small. According to the analysis, there are no proven instances of financing of terrorism through NPOs in North Macedonia.

Three types of NPO threats have been identified for the purposes of terrorist financing:

- Abuse of NPOs for promotion of religious radicalism
- Abuse of NPOs for recruiting persons
- Abuse of NPOs for logistical support

Risks centre on involvement and abuse of NPOs that focus on social-humanitarian, cultural-educational and religious activities, but in conjunction with risk factors.⁵⁷ The key risk factors in this context centre on NPOs registered in areas that are at risk from terrorism; donations are sourced from high-risk countries; and/or the NPO does not provide verifiable information on its financial transactions.

The inherent risk of financing of terrorism for NPOs in North Macedonia is low to medium overall.⁵⁸ Specifically, 87% of organizations that fit into the FATF's definition of an NPO are judged to be low risk, and about 13% pose a low to medium risk.

RECOMMENDATIONS FOR POLICYMAKERS

- Develop an over-arching strategy for tackling IFFs and clarify the role of the various competent institutions in combating these flows, in order to overcome strategic inertia and jurisdictional confusion among domestic institutions.
- Further strengthen the capacity of supervisory institutions.
- Improve sharing of information and conduct strategic analyses of IFFs to detect origins, distribution channels and final destinations.
- Standard operating procedures for competent authorities should be revised to include detailed guidelines on how to trace, identify and seize IFFs.
- To fully comply with EU Directive (2018/1673) on combating money laundering by criminal law, investigative, prosecutorial and judicial authorities should adopt policy guidelines emphasizing the importance of proceeding in money laundering cases without waiting for a conviction for the predicate offence.
- These guidelines should also include minimum evidential requirements for the prosecution of stand-alone and third-party laundering in the absence of a conviction for the predicate offence; and good practices in gathering evidence relevant for the conversion, transfer and social reuse of illicit proceeds.
- Customs authorities should ensure that cash seizures resulting from cross-border controls are followed by appropriate financial investigations.
- Further increase public awareness of the risks posed by IFFs, including through a media campaign.
- Further develop awareness of the self-protective measures to be implemented by civil society, including through developing additional tools and resource materials (manuals, workshops, online self-assessments) with a particular focus on those sectors identified as being at risk.
- Sectoral support for smaller organizations (and those NPOs identified as vulnerable) to enable them to adopt self-regulatory mechanisms.
- A greater engagement of civil society and their involvement in the fight to reduce IFFs is needed. Investigative journalism has proven its pivotal role in North Macedonia, as evidenced by several open investigations by the PPO. Government should increase its commitment to promoting more media interest in the reporting of the IFFs.
- Prepare manuals for investigative journalists to conduct investigations of IFFs.
- Register new NPOs and investigative journalism ventures whose activity seeks to identify and combat IFFs.
- Organize an annual national conference centring on a dialogue on IFFs among NPOs and the media with a view to widening the circle of stakeholders.



Notes

- ¹ Vanya Petrova, Cash is king: Impact of the Ukraine war on illicit financial flows in South Eastern Europe, GI-TOC, July 2023, <https://globalinitiative.net/analysis/ukraine-war-iffs-south-eastern-europe>.
- ² GI-TOC, Global Organized Crime Index 2023: North Macedonia, https://ocindex.net/country/north_macedonia. Kosovo was not included because the Index covers only countries that are members of the United Nations. However, Kosovo's criminality components and resilience indicators were measured.
- ³ Tuesday Reitano and Kristina Amerhauser, Illicit financial flows in Albania, Kosovo and North Macedonia: Key drivers and current trends, August 2020, <https://globalinitiative.net/analysis/iffs-western-balkans>.
- ⁴ Ibid.
- ⁵ Interviews with representatives of law enforcement agencies, financial institutions, academia and investigative journalist, Skopje, North Macedonia, 2023.
- ⁶ IMF, Republic of North Macedonia, IMF Country Report No.22/47, February 2022, <https://www.imf.org/-/media/Files/Publications/CR/2022/English/1MKDEA2022002.ashx>.
- ⁷ The Council of Europe defines MONEYVAL's mandate as 'the task of assessing compliance with the principal standards to counter money laundering and the financing of terrorism and the effectiveness of their implementation, as well as with the task of making recommendations to national authorities in respect of necessary improvements to their systems'. See: <https://www.coe.int/web/moneyval>.
- ⁸ FATF methodology evaluates countries' effectiveness in meeting immediate outcomes in relation to money laundering and counter-financing of terrorism. Immediate outcome 1 centres on risk, policy and coordination; immediate outcome 2 focuses on international cooperation; immediate outcome 3 on supervision; immediate outcome 4 on preventive measures; immediate outcome 5 on legal persons & arrangements; immediate outcome 6 on financial intelligence; immediate outcome 7 on investigation and prosecution; immediate outcome 8 on confiscation of ill-gotten gains; immediate outcome 10 on terrorist financing preventive measures and financial sanctions; and immediate outcome 11 on proliferation related financial sanctions. FATF-GAFI, Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems, 2013, <https://www.fatf-gafi.org/en/publications/Mutualevaluations/Fatf-methodology.html>.
- ⁹ MONEYVAL Committee of Experts, Fifth round mutual evaluation report: Anti-money laundering and counter-terrorist financing measures: North Macedonia, Council of Europe, May 2023, <https://rm.coe.int/moneyval-2023-4-mer-northmacedonia/1680abebe9>.
- ¹⁰ Tuesday Reitano and Kristina Amerhauser, Illicit financial flows in Albania, Kosovo and North Macedonia: Key drivers and current trends, GI-TOC, August 2020, <https://globalinitiative.net/analysis/iffs-western-balkans>.
- ¹¹ The Balkan Investigative Reporting Network, <https://birn.eu.com/about-birn>.
- ¹² Investigative Reporting Lab Macedonia, <https://irl.mk/about-us>; Prizma, <https://prizma.mk>.
- ¹³ According to data stemming from an interview with an FIO representative, the NRA has been complemented with further sectoral and thematic risk assessments, including for VASPs, NPO terrorist financing, and a national serious and organized crime threat assessment. In 2022, the FIO and other competent authorities prepared a series of strategic analyses, centring on the risks of legal entities, transactions through money value transfer systems, assessment of external money laundering threats and proliferation financing.
- ¹⁴ FIO, Report on the assessment of the risk of money laundering and financing of terrorism, 2020, <https://ufr.gov.mk>.
- ¹⁵ Ministry of Internal Affairs of the Republic of North Macedonia, Risk assessment on serious and organized crime, 2021.
- ¹⁶ National Bank of the Republic of North Macedonia, Statistics, <https://www.nbrm.mk/statistika-en.nspix>.
- ¹⁷ FIO, Report on the assessment of the risk of money laundering and financing of terrorism, 2020, <https://ufr.gov.mk>.
- ¹⁸ Ministry of Internal Affairs of the Republic of North Macedonia, Risk assessment on serious and organized crime, 2021.
- ¹⁹ MONEYVAL Committee of Experts, Fifth round mutual evaluation report: Anti-money laundering and counter-terrorist financing measures: North Macedonia, Council of Europe, May 2023, <https://rm.coe.int/moneyval-2023-4-mer-northmacedonia/1680abebe9>.
- ²⁰ Ministry of Internal Affairs of the Republic of North Macedonia, Annual Report 2022, https://mvr.gov.mk/Upload/Editor_Upload/Godisen%20izvestaj/%D0%93%D0%BE%D0%B4%D0%B8%D1%88%D0%B5%D0%BD%20%D0%B8%D0%B7%D0%B2%D0%B5%D1%88%D1%82%D0%B0%D1%98_2022_%D0%9C%D0%92%D0%A0.pdf.
- ²¹ Ibid.
- ²² Ministry of Internal Affairs of the Republic of North Macedonia, Risk assessment on serious and organized crime, 2021.
- ²³ Полицијата заплени дрога вредна 6 милиони евра од две фабрики за производство на канабис за медицински цели, *Nezavisen*, 14 April 2023, <https://nezavisen.mk/policijata-zaplени-droga-vredna-6-milioni-evra-od-dve-fabriki-za-proizvodstvo-na-kanabis-za-medicenski-celi>.
- ²⁴ An amphetamine laboratory was discovered in Skopje, five people were arrested, including a primary school teacher, *Nova Makedonija* 17 March 2023, <https://novamakedonija.com.mk/makedonija/hronika/otkriena-laboratorija-za-amfetamin-vo-skopje-petmina-privedeni-megju-koi-i-nastavnichka-vo-osnovno>.
- ²⁵ MONEYVAL Committee of Experts, Fifth round mutual evaluation report: Anti-money laundering and counter-terrorist financing measures: North Macedonia, Council of Europe, May 2023, <https://rm.coe.int/moneyval-2023-4-mer-northmacedonia/1680abebe9>.
- ²⁶ Banking associations, insurance companies, brokerage and investment funds, exchange offices, financial markets and treasury services, casinos, online casinos, betting, lottery games, lawyers, notaries and other designated non-financial businesses and professions as well as some non-reporting entities such as construction companies.
- ²⁷ Informal cooperation implies the exchange of information that is intelligence. This form of cooperation is carried out by financial intelligence units through the information exchange channel Egmont web services.
- ²⁸ Formal co-operation usually takes place through a request for international legal assistance from a designated central authority, which seeks to provide data that would be used as evidence in court proceedings.
- ²⁹ Ministry of Justice of the Republic of North Macedonia, Law on International Cooperation in Criminal Matters, Official Gazette of the Republic of Macedonia No.77/2021, <http://ldbis.pravda.gov.mk/PregledNaZakon.aspx?id=55651>.
- ³⁰ Ministry of Justice of the Republic of North Macedonia, Law on Criminal Procedures, Official Gazette of the Republic of Macedonia, No.150/2010, https://jorm.gov.mk/wp-content/uploads/2016/03/Zakon_za_Krivicna_postapka_150_18112010-2.pdf.
- ³¹ Ministry of Internal Affairs of the Republic of North Macedonia, Risk assessment on serious and organized crime, 2021.
- ³² The project was overseen by Germany's Federal Ministry for Economic Cooperation and Development and co-financed by the Norwegian Ministry of Foreign Affairs (2021–2024). Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), Combating illicit financial flows, <https://www.giz.de/en/worldwide/123900.html>.

- ³³ Sustainable Development Goal 16 centres on promoting peaceful and inclusive societies geared towards sustainable development, providing access to justice for all and building effective, accountable and inclusive institutions at all levels.
- ³⁴ United Nations Office on Drugs and Crime, Regional anti-Corruption and illicit finance roadmap: For the Western Balkans jurisdictions, June 2021, https://www.unodc.org/documents/southeasterneurope/AC_and_Illicit_Finance_Roadmap_Full_25.06_PDF.pdf.
- ³⁵ Ibid.
- ³⁶ National Bank of the Republic of North Macedonia, Financial stability report for the Republic of North Macedonia in 2020, August 2021, https://www.nbrm.mk/content/Regulativa/FSR_2020_ENG.pdf.
- ³⁷ Anti-Money Laundering and Countering the Financing of Terrorism Law, Official Gazette of the Republic of Macedonia, No.151/22, 2022.
- ³⁸ Law on the National Bank of the Republic of North Macedonia, Official Gazette of the Republic of Macedonia No.158/10, 123/12, 43/14, 153/15, 6/16, 83/18 and Official Gazette of the Republic of North Macedonia No.110/21, 2010 to 2021 (with revisions), <https://www.nbrm.mk/content/Law%20on%20the%20National%20bank%20of%20the%20Republic%20of%20North%20Macedonia%20110-21.pdf>.
- ³⁹ Interview with a VASP representative, Skopje, 10 April 2023.
- ⁴⁰ Ibid.
- ⁴¹ AML/CFT Law (Official Gazette No. 151/22), 2022.
- ⁴² Ibid.
- ⁴³ Ministry of Internal Affairs of the Republic of North Macedonia, Risk assessment on serious and organized crime, 2021.
- ⁴⁴ Ibid.
- ⁴⁵ This built on the ‘Strategy for strengthening national capacities for conducting financial investigations and confiscation of property’, adopted by the government in February 2018.
- ⁴⁶ Decision on establishing a National Coordination Center for Combating Serious and Organized Crime, Official Gazette of the Republic of Macedonia, No. 58/2014.
- ⁴⁷ Government of the Republic of North Macedonia, Strategy for strengthening the capacities for conducting financial investigations and confiscation of property, May 2021, https://vlada.mk/sites/default/files/dokumenti/strategii/strategija_za_jaknenje_na_kapacitetite_za_vodenje_finansiski_istragi_i_konfiskacija_na_i_mot_za_periodot_2021-2023_godina_so_akciski_plan.pdf.
- ⁴⁸ Ibid.
- ⁴⁹ MONEYVAL Committee of Experts, Fifth round mutual evaluation report: Anti-money laundering and counter-terrorist financing measures: North Macedonia, Council of Europe, May 2023.
- ⁵⁰ Government of the Republic of North Macedonia, National strategy for (the) fight against money laundering and terrorism financing (2021–2024), <https://www.ufr.gov.mk>.
- ⁵¹ Government of the Republic of North Macedonia, Strategy for strengthening the capacities for conducting financial investigations and confiscation of property, May 2021, https://vlada.mk/sites/default/files/dokumenti/strategii/strategija_za_jaknenje_na_kapacitetite_za_vodenje_finansiski_istragi_i_konfiskacija_na_i_mot_za_periodot_2021-2023_godina_so_akciski_plan.pdf.
- ⁵² Criminal Code of North Macedonia, Consolidated text: Criminal Code (Official Gazette of the Republic of Macedonia Nos. 37/1996, 80/1999, 4/2002, 43/2003, 19/2004, 81/2005, 60/2006, 73/2006, 7/2008, 139/2008, 114/2009, 51/2011, 135/2011, 185/2011, 142/2012, 166/2012, 55/2013, 82/2013, 14/2014, 27/2014, 28/2014, 41/2014, 115/2014, 132/2014, 160/2014, 199/2014, 196/2015, 226/2015, 97/2017 and 248/2018). Decisions of the Constitutional Court of the Republic of Macedonia: U. No. 220/2000 dated 30 May 2001, published in the Official Gazette of the Republic of Macedonia No.48/2001; U. No.210/2001 dated 6 February 2002, published in the Official Gazette of the Republic of Macedonia No.16/2002; U. No.206/2003 dated 9 June 2004, published in the Official Gazette of the Republic of Macedonia No.40/2004; U. No.228/2005 dated 5 April 2004, published in the Official Gazette of the Republic of Macedonia No.50/2006; and U. No.169/2016 dated 16 November 2017, published in the Official Gazette of the Republic of Macedonia No.170/2017, https://vlada.mk/sites/default/files/dokumenti/zakoni/criminal_code.pdf.
- ⁵³ Agency for Management of Seized and Confiscated Property, Republic of Macedonia, <http://www.odzemenimot.gov.mk>.
- ⁵⁴ European Commission, European neighbourhood policy and enlargement negotiations: North Macedonia report 2022, 12 October 2022, https://neighbourhood-enlargement.ec.europa.eu/north-macedonia-report-2022_en.
- ⁵⁵ FIO, Report on the conducted terrorism financing risk assessment for non-profit organizations, 2021, <https://ufr.gov.mk/?p=2920>.
- ⁵⁶ Ibid.
- ⁵⁷ Ibid.
- ⁵⁸ Ibid.



GLOBAL INITIATIVE

AGAINST TRANSNATIONAL
ORGANIZED CRIME

ABOUT THE GLOBAL INITIATIVE

The Global Initiative Against Transnational Organized Crime is a global network with over 600 Network Experts around the world. The Global Initiative provides a platform to promote greater debate and innovative approaches as the building blocks to an inclusive global strategy against organized crime.

www.globalinitiative.net



Norwegian Ministry
of Foreign Affairs