

Conclusions on the Republic of Macedonia

(extract from the Communication from the Commission to the European Parliament and the Council "Enlargement Strategy and Main Challenges 2012-2013", COM(2012)600 final)

The Secretariat for European Affairs intervened in the text by replacing the reference "former Yugoslav Republic of Macedonia" with the constitutional name "Republic of Macedonia"

The Republic of Macedonia continues to sufficiently meet the **political criteria**. The country continues to fulfil its commitments under the Stabilisation and Association Agreement. The government has put the EU agenda at the centre of its activity. The High Level Accession Dialogue (HLAD) with the Commission served as a catalyst for accelerating reforms and has contributed to substantial progress in a number of key policy areas. The government has adopted proposals for improvement of the legislative framework for elections and, in the area of freedom of expression, for the decriminalisation of defamation. The first government review of the implementation of the Ohrid Framework Agreement provides a tool for strengthening inter-community dialogue. The reform momentum needs to be sustained in all areas of the political criteria in particular to ensure implementation. The Parliament is considering the related legislation. Focus on the rule of law, including as regards freedom of expression and on inter-ethnic relations and reconciliation needs to be maintained. An inclusive approach with civil society needs to be taken forward.

The Ohrid Framework Agreement (OFA) continues to be an essential element for **democracy and the rule of law** in the country. The *government* has launched a review of the implementation of OFA since 2001, with the aim of building a consensus on the results achieved and the challenges ahead. Tension between communities following violent incidents in the first half of 2012 caused concern. The government has responded with maturity to this challenge and needs to build on this to further strengthen inter-ethnic relations and reconciliation, including on the status of victims of the 2001 conflict. There has been some further progress on wider implementation of the Law on Languages.

The functioning of the *parliament* has improved and political dialogue has been maintained, in particular as regards EU integration. The implementation of the Rulebook of Procedure has gone forward, including with respect to key demands of the Opposition. The Parliament is considering the related government proposals for improving the electoral framework. Ongoing efforts will be necessary to fully address the recommendations of OSCE/ODIHR.

Cooperation within the government coalition has continued and has been successful in putting the accession process at the centre of the political agenda. The government has effectively coordinated the implementation of the HLAD on the basis of its own Roadmap. In the field of local government, progress on decentralization needs to be accelerated, in particular as regards the financial framework.

As regards *public administration*, there was some progress. Services to citizens were improved and e-government is being gradually introduced. Consultations on major reforms to the framework for administration are on-going. Additional efforts are needed in order to guarantee transparency, professionalism and independence of the public administration. In particular, respect for the principles of merit-based recruitments and promotions needs to be ensured.

As regards the *judiciary*, legislative and institutional safeguards are in place, but further efforts are needed to guarantee independence and impartiality in practice. Progress has been made, notably in reducing the backlog of cases. Further efforts are needed to create clear and

transparent grounds for proportionate dismissal procedures and to improve significantly the implementation of merit-based judicial appointment and career development. The Academy for Judges and Prosecutors should be further supported in its key role in the development of a professional and highly-skilled judiciary and prosecution service.

In the area of *anti-corruption policy*, the legislative framework is in place and capacity has been strengthened slightly, but greater efforts are needed as regards implementation of existing laws. Steps have been taken to improve verification capacities and enforcement powers of the authorities. However, there has been little visible progress in terms of end-results. A track record of handling high-level corruption cases has yet to be established. A more proactive and coordinated approach by supervisory bodies and enforcement agencies is needed. Collection and analysis of statistical data should be improved to focus efforts where they are most needed. Corruption remains prevalent in many areas and continues to be a serious problem.

There was some progress as regards the *fight against organised crime*, in particular through the issuance of over 100 international arrest warrants and good cooperation through Interpol and with Europol. The Law on Interception of Communications was amended, strengthening the efficiency and transparency of this special investigative measure. Further efforts are needed to strengthen the capacities of the law enforcement agencies and to enhance inter-agency cooperation and information exchange. The country is advanced in the field of police cooperation and fighting organised crime.

The legal and institutional framework for *human rights and the protection of minorities* is broadly in place. *Civil and political rights* are broadly respected and some further progress was made. The roundtable dialogue with journalists has proved an important forum to address key challenges in the area of the media. The government adopted proposals to decriminalize defamation through the adoption of a civil Law on Liability for Insult and Defamation. The Criminal Code needs to be revised in line with this approach. The Broadcasting Council has begun to enforce legal provisions against concentration of ownership and conflict of interest with the political sphere. The Broadcasting Council needs to demonstrate it is following a non-discriminatory and transparent approach. There remain widespread concerns about lack of pluralism and self-censorship. Continued efforts are necessary to address related challenges such as the transparency of government advertising and the labour rights of journalists.

Some progress can be reported in the strengthening of *social and economic rights*. The Economic and Social Council has met regularly. The Commission for Protection against Discrimination is engaged in processing complaints although its resources are limited. The Law on anti-discrimination needs to be fully aligned with the *acquis*, notably as regards discrimination on grounds of sexual orientation. There is a need for better protection of rights of women, including from vulnerable groups, as well as further efforts to increase their participation in the labour market and in political life. Social integration of people with disabilities still remains weak.

Overall, some progress was achieved in the area of *cultural rights and minorities*. A review of the Ohrid Framework Agreement has been launched which includes recommendations for addressing the on-going challenges. The review and concrete ethnic cooperation need to be followed up. Fostering trust between ethnic communities will be of key importance. Concerning the Roma, several activities were taken, notably to address the issue of persons without documents and to integrate Roma refugees. Implementation of existing strategies and inter-institutional cooperation needs to be significantly strengthened.

Regarding *regional issues and international obligations*, the country continued to cooperate fully with the International Criminal Tribunal for the former Yugoslavia (ICTY). There are no

remaining cases or appeals pending in The Hague. Of the four cases that the ICTY transferred back to the national authorities in 2008, one was dismissed in 2011 by the domestic court system and three were dismissed in 2012, in line with the request of the Public Prosecution and on the basis of the Amnesty Law.

As regards the International Criminal Court, the bilateral immunity agreement with the United States does not comply with the EU common positions and guiding principles. The country needs to align with the EU position.

The country continued to participate actively in regional cooperation initiatives, including the South-East European Cooperation Process (SEECP), the Regional Cooperation Council (RCC), and the Central European Free Trade Agreement (CEFTA). It took over the Chairmanship-in-Office of the SEECP in June 2012. The seat of the Secretariat of South-Eastern European Health Network (SEEHN) was established in Skopje. The country continued to contribute to the EU ALTHEA mission in Bosnia and Herzegovina.

The Republic of Macedonia has maintained an overall constructive role as regards bilateral relations with neighbouring Member States and other enlargement countries. Relations with partners in the Western Balkans were further developed. Relations with Greece remained affected by the name issue. The International Court of Justice adopted a judgment concerning the Interim Agreement with Greece. The country has kept engaged in talks under the auspices of the UN and in direct contacts with Greece. The talks under the UN auspices for a negotiated and mutually acceptable solution should be pursued with increased vigour, as should direct bilateral meetings and contacts. Actions and statements which could negatively impact on good neighbourly relations should be avoided.

The **economy** of the country continued growing at a decelerated pace in 2011, but declined in the first half of 2012. Growth was based on resilient domestic demand, while external demand has been declining. Structural reforms have continued, but overall at a slow and gradual pace. There has been some further progress in simplifying business registration, accelerating judiciary procedures and deepening financial intermediation. However, little has been achieved in addressing the very high unemployment, which is mostly structural and affects mostly the young and poorly educated.

As regards the **economic criteria**, the Republic of Macedonia continues to be well advanced. In some areas, it has made further progress towards becoming a functioning market economy. The country should be able to cope with competitive pressures and market forces within the Union in the medium term, provided that it vigorously implements its reform programme in order to reduce significant structural weaknesses.

The country has maintained a broad consensus on the essentials of economic policies. Monetary policy, based on the de facto peg to the euro, contributed to macro-economic stability. Fiscal policy kept spending largely in line with revenue growth. Privatisation is mainly completed. Price and trade liberalisation has been largely accomplished. Some further progress has been achieved in facilitating market entry and in simplifying the regulatory framework. The judiciary procedures accelerated with the average duration of bankruptcy procedures further reduced. Property registration is practically accomplished. The financial sector so far weathered the financial market turbulences rather well and maintained its trend towards increased intermediation and market deepening. Gradual progress in the education sector has continued. Increased FDI helped to diversify the country's export structure.

However, the quality of fiscal governance has deteriorated further; medium-term planning and public expenditure management has worsened, and the transparency and reliability of public sector accounts declined. Furthermore, the short-term orientation on spending with low

growth enhancing effects has continued. Public sector debt has increased significantly. Unemployment remained very high. The functioning of the labour market is impeded by structural weaknesses. The level of education and qualification of the human capital is low. Similarly, the physical capital needs modernisation and deepening. Despite gradual improvements, the functioning of the market economy continues to be impeded by institutional and judiciary weaknesses. Some regulatory and supervisory agencies still lack the necessary resources and leverage to fulfil their functions effectively. The capacity and efficiency of public administration in providing services to businesses requires improvement. The informal sector remains an important challenge.

The Republic of Macedonia has made further progress in improving its **ability to take on the obligations of membership**, in particular in the areas of free movement of goods, competition, food safety and veterinary policy and Trans-European networks. Further efforts are needed in other areas such as the environment, social policy and employment and regional policy and coordination of structural instruments. Overall, the country has achieved a good level of alignment with the *acquis* at this stage of the accession process. It has also continued to implement smoothly its obligations under the Stabilisation and Association Agreement (SAA) and the Commission has proposed to pass to the second stage of the Association.

Good progress was achieved in the area of *free movement of goods*, especially in the area of standardisation and metrology. Preparations in the area of free movement of goods are advanced. Some progress has been made in the area of *freedom of movement for workers*. Some progress can be reported in the area of the *right of establishment and freedom to provide services*, particularly as regards postal services. However, further efforts are needed as regards the implementation of the services directive and mutual recognition of professional qualifications. Overall, the country is moderately advanced in this area. There was some progress in the area of *free movement of capital*. Further liberalization of capital movements and payments is subject to the transition to the second stage of the SAA, which is under consideration by the Council. Preparations in this area are on track.

Some progress was made in the area of *public procurement*, where the level of alignment is advanced with the exception of remedies and defence procurement. The administrative capacity in the field of remedies and concessions remains weak. Good progress was made in the area of *company law*, in particular in the field of audit. Chartered auditors' qualifications obtained abroad have yet to be recognised. Overall, preparations in this area are moderately advanced. Some progress was made in the area of *intellectual property*, where the legislative framework and the administrative capacity were further improved. However, more efforts are needed in the field of implementation and enforcement. Overall, alignment in this field is moderately advanced.

Good progress was made in the area of *competition policy* with improvement of the enforcement record. Preparations in this area are advanced. The resource endowment of the competition authority needs to be further strengthened. Concerning *financial services*, progress was made in the areas of banking, insurance and securities markets and investment services. Alignment with key *acquis* in the area of financial market infrastructure remains to be achieved. Overall, alignment with the *acquis* in this area is moderately advanced.

Progress can be reported in the field of *information society and media*. Alignment with the *acquis* continued and key competitive safeguards have started to be enforced. In the area of audiovisual policy, the activities of the Broadcasting Council increased, but a non-discriminatory approach needs to be ensured. Preparations in this area are moderately advanced.

Some progress was achieved in the field of *agriculture and rural development*, where preparations remain moderately advanced. There have been further advances in setting up the Integrated Administration and Control System. Alignment with the *acquis* requires continuing efforts. Administrative capacity remains a concern throughout the sector.

There was good progress in the area of *food safety and veterinary policy*, in particular with respect to the strengthening of institutions, and implementation of animal disease eradication programmes. Little progress was observed in the *phytosanitary* area, where administrative capacity and co-ordination among competent authorities has not improved. Preparations, overall, in the area of food safety, veterinary and phytosanitary policy remain moderately advanced.

Little progress can be reported in the area of *transport policy*. Some progress on road transport *acquis* alignment can be reported, but not in road safety which remains a concern. The railway legislation needs further alignment with the *acquis*. A legal amendment to close the railway market for competition until EU accession reversed already achieved alignment with *acquis*. The Accident Investigation Committee for rail needs to become operational in order to act as an independent body. Some progress was made in the *energy* sector, in particular in the enacting of implementing legislation deriving from the 2011 Energy Law. Some progress in renewable energy was also made. Full liberalisation of the electricity and natural gas market is yet to be achieved. Preparations in these areas are moderately advanced.

Progress has been limited in the field of *taxation*. Efforts are still required to harmonise the national legislation with the *acquis*, to reinforce the fight against tax fraud and tax evasion and to address IT and staffing capacity. Overall, preparations in the area of taxation are moderately advanced.

Preparations in the field of *economic and monetary policy* are advanced and little further progress was made. Preparations in the field are advanced. In the field of *statistics*, progress was achieved as regards harmonisation of sectoral statistics and in transmission of data. Overall, preparations in the field of statistics are moderately advanced.

Little progress was made in the area of *social policy and employment*. Unemployment and poverty rates are high, while women labour market participation remains low. Some progress has been achieved in the field of social dialogue but the role of social partners needs to be further strengthened. The UN Convention on the Rights of Persons with Disabilities and the Optional Protocol to the Convention were ratified. Progress in inclusion of Roma, people with disabilities and other socially excluded people is slow. A mechanism for prevention and protection against discrimination is in place but not fully operational. The overall administrative capacity needs to be significantly strengthened. Overall, preparations in this area are not very advanced.

Some progress can be reported in the field of *enterprise and industrial policy*. Various strategies and measures were adopted, showing strong commitment to improving the business environment. However, implementation remains scattered across a number of uncoordinated and poorly funded bodies. The measures are yet to be made fully effective.

In the area of *Trans-European networks* progress was made. The development of the transport, energy and telecommunications networks is continuing and the country is actively participating in the South East Europe Transport Observatory and the Energy Community. A contract was awarded and work begun on construction related to Corridor X, partly financed by IPA Component III. Preparations in this area are moderately advanced.

Limited progress can be reported in the area of *regional policy and coordination of structural instruments*. Management of IPA programmes needs to be improved in order to ensure full

and timely absorption of EU funds. Additional efforts are needed to address deficiencies in management and control systems. In particular, staffing and qualifications within the operating structures and the Central Financing and Contracting Department of the Ministry of Finance need to be substantially strengthened. Preparations in this area are moderately advanced.

Some progress has been made in the field of the *judiciary and fundamental rights*, notably in reducing the backlogs of court cases. Further improvements are needed as regards merit-based judicial appointments, precise and predictable dismissal grounds and correct use of statistical tools. In the area of anti-corruption policy, the legislative framework is in place and capacity has been strengthened slightly but greater efforts are needed to develop a track record of investigations, prosecutions and convictions. As regards fundamental rights, some progress was made in the area of freedom of expression, notably towards the decriminalization of defamation. The relevant institutions need to become more effective in promoting and safeguarding fundamental rights in practice. The Ohrid Framework Agreement remains an essential element for democracy and rule of law in the country. Preparations in the field of the judiciary and fundamental rights are moderately advanced.

Progress has been made in the area of *justice, freedom and security*, notably on external borders and customs cooperation, as well as on interception of communications. Further efforts are needed to improve the efficiency of the asylum procedure, ensure rigorously merit-based recruitment to the police, step up the fight against organised crime and improve seizure of drugs. Overall, preparations in this area are advanced.

Little progress can be reported in the area of *science and research*. The general participation rate in EU framework programmes continued to be good. Preparations for the national programme for science, research and development activity and for the strategy on innovation have advanced, but the documents remain to be adopted. In this area, the country partially meets its targets.

There was some progress in the areas of *education, training, youth and culture*. The country continued to improve its performance in relation to the Education and Training 2020 common benchmarks. Preparatory measures for the Lifelong Learning and Youth in Action programmes restarted. Investments are yet to be equitably applied to all parts of the country and the multi-cultural society. In the area of education and culture the country is moderately advanced.

Limited progress was made in the *environment and climate change* chapter. Further progress was made in transposing the *acquis* into national legislation, in particular in the waste management, air quality and chemicals sectors. Significant efforts are needed in order to implement the national legislation, especially in the areas of water management, industrial pollution control, nature protection and climate change. Overall, preparations in the field of environment are moderately advanced while in the field of climate change remain at an early stage.

There has been some progress in the area of *consumer and health protection*, particularly with regard to legal and institutional framework. Further progress remains hampered by the limited financial resources and weak operational structures, particularly in the field of consumer protection. Overall, preparations in this area are moderately advanced.

There was progress in the area of *customs union*, in particular on administrative and operational capacity. Inter-agency cooperation, the fight against corruption in the customs administration, and the capacity to tackle cross-border crime continued to improve. Preparations in the area of customs union are well on track.

Some progress was made in the area of *external relations*, notably as regards the common commercial policy. However, the country's institutional capacity is still not sufficient for it to participate fully in EU commercial, development and humanitarian policies. Preparations in the area of external relations are moderately advanced.

Continued progress has been made in the area of *foreign, security and defence policy*. The country has maintained its high level of alignment with EU declarations and Council decisions and has continued its participation in civil and military and crisis management operations. Preparations in the area of foreign, security and defence policy are well advanced.

Concerning *financial control*, there was some progress, notably in regards to external audit and protection of the euro against counterfeiting. However, the country remains at an early stage of the practical implementation of public internal financial control. Overall, preparations in this chapter are at an early stage. There was no particular progress concerning *financial and budgetary provisions*. The institutions in place to fulfil the administrative framework for the correct calculation, forecasting, collection, payment, monitoring and reporting of the own resources framework will need to be strengthened. Preparations in this area are at an early stage.