

Conclusions on the former Yugoslav Republic of Macedonia

(extract from the Communication from the Commission to the Council and the European Parliament "Enlargement Strategy and Main Challenges 2009-2010", COM(2009)533 final)

The presidential and local elections of 2009 met most international standards and most of the recommendations of the OSCE/ODIHR from previous elections have been implemented. Political dialogue has improved: the governing coalition is stable, the political climate is more cooperative and the parliament is more effective. The key Accession Partnership priorities regarding the reform of the police, the judiciary, public administration and corruption have been substantially addressed. On this basis, and in view of the overall progress of reforms, the Commission considers that the country sufficiently fulfils the **political criteria**.

The implementation of the Ohrid Framework Agreement remains an essential element of **democracy and the rule of law** in the country. There has been progress on implementing the law on languages, on decentralisation and equitable representation. On this basis, further efforts in a constructive spirit are needed to fulfil the objectives of the Agreement.

The conduct of the presidential and local elections in 2009 met most international standards. The election days were peaceful, the political climate was calm and the conduct of voting showed a marked improvement over the 2008 parliamentary elections. The shortcomings identified by the OSCE/ODIHR need to be addressed. Political dialogue, which is a key priority of the Accession Partnership, has improved. The coalition *government* has been stable. The National Council for European Integration is chaired by the main opposition party. The functioning of *parliament* has been strengthened, notably through the introduction of rules of procedure, and a law on parliament has been adopted. Continued efforts are needed, in particular to enhance the role of the parliament.

Some progress was made in *public administration reform*, including reform of the civil service, which is a key priority of the Accession Partnership. The amendments to the law on the civil service adopted in September strengthened the provisions aiming to ensure merit based recruitment and promotion of civil servants. Further efforts to ensure transparency, professionalism and independence of public administration are required. Respect for the provisions and the spirit of the law needs to be ensured in practice. Reform of the police, which is a key priority of the Accession Partnership, has made further progress. The new system of commanders at local and regional level is fully functional, management has improved and the law on internal affairs has introduced a career system into the police service. Police officers have been barred from holding office in political parties.

Further progress has been made on *judicial reform*, which is a key priority of the Accession Partnership. The first graduates from the Academy of Judges and Prosecutors have been appointed, the new courts and judicial bodies are being staffed and are taking up their activities, and the budget has been increased very significantly. Continued efforts are needed to ensure the independence and impartiality of the judiciary, in particular through the implementation of the provisions regarding appointments and promotions.

Good progress has been made in strengthening and implementing the *anti-corruption* framework, which is a key priority of the Accession Partnership. The electoral code and the law on financing of political parties were amended to strengthen transparency, there were further indictments and convictions in high-level cases and cooperation among law enforcement agencies improved. Nevertheless, corruption remains prevalent and continues to be a serious problem in many areas. Continued efforts are needed, in particular as regards implementation of the legal framework.

The legal and institutional framework for *human rights and the protection of minorities* is broadly in place. Nevertheless, further efforts are needed to improve implementation in a number of fields.

Allegations of *ill-treatment* by the police fell significantly following the disbanding of special police units, the conduct of thorough investigations and the taking of disciplinary measures. However, an independent external mechanism to monitor cases of police misconduct, in line with ECHR jurisprudence, has not yet been established. An action plan for the overhaul of *prison* infrastructure has been adopted but important short term measures to tackle inhuman and degrading conditions have still not been taken. Professional management of the prisons remains to be established.

With regard to *freedom of expression*, overall the situation is satisfactory. However, there are ongoing concerns regarding political interference in the media.

As regards *women's rights*, the strategy against domestic violence has begun to be implemented. However, further efforts are needed to develop administrative capacity on gender equality. Concerning *children's rights*, school attendance has increased; almost all primary school pupils go on to attend secondary school. The law on juvenile justice entered into force in June.

Regarding *cultural and minority rights*, there has been some further progress in implementing the strategy for equitable representation, in line with the Ohrid Framework Agreement, with the number of civil servants from the non-majority ethnic communities increasing to 26% at central level by September 2009. The Law on Languages, which provides for greater use of Albanian, has begun to be implemented in parliament. A specialised agency for protecting the rights of the smaller communities was set up but is not yet operational.

The high schools in Struga municipality partly restored ethnically mixed education at the start of the 2009-10 school year. However, the authorities need to make further efforts to promote integration of the ethnic communities of the country, particularly in education. The concerns of the smaller ethnic minorities continue to be insufficiently addressed.

Little progress can be reported regarding the *Roma*. The four action plans in the framework of the 2005-15 Decade of Roma Inclusion continued to be implemented slowly, although state funds were allocated to implement the action plans. The administrative capacity of the office of the Roma minister without portfolio and of the unit for implementation of the Roma strategy requires significant strengthening. Roma continue to face very difficult living conditions and discrimination.

Regarding *regional issues and international obligations*, the former Yugoslav Republic of Macedonia maintained full co-operation with the International Criminal Tribunal for the former Yugoslavia (ICTY). The domestic legal system is processing the four cases referred by the ICTY back to the national authorities.

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 has 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).

The former Yugoslav Republic of Macedonia has generally good relations with countries in the region. However, relations with Greece continued to be affected by the unresolved name issue. The country is engaged in talks under the auspices of the UN on resolving it. Actions and statements which could negatively impact on good neighbourly relations should be avoided. Maintaining good neighbourly relations, including a negotiated and mutually acceptable solution to the name issue, under the auspices of the UN, remains essential.

The **economy** of the former Yugoslav Republic of Macedonia slowed down and slightly contracted in 2009, as the international environment deteriorated. Inflation declined markedly, mainly due to lower international energy and commodity prices. Some progress has been achieved in addressing structural unemployment and in reducing impediments to employment. However, the still very high unemployment, in particular among young and poorly educated, remains a major cause of concern. Weaknesses in the administration and the rule of law continue to have a negative bearing on the business climate.

As regards the **economic criteria**, the former Yugoslav Republic of Macedonia is well advanced. It has continued to move closer towards becoming a functioning market economy. It 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. Privatisation is largely completed. Price and trade liberalisation has been largely accomplished. Market entry and registration has been further improved and the regulatory framework has been further simplified. Bankruptcy procedures have been further shortened and property registration is well advanced. The authorities have increased their efforts in addressing structural unemployment and measures have been taken to reduce the tax burden on labour. Financial independence of supervisory and regulatory agencies has been strengthened. Financial intermediation has declined slightly but the sector as a whole has so far weathered well the international financial crisis. Further measures have been taken to improve the quality of human capital.

However, in the context of the election period and the global economic crisis, the overall policy mix has deteriorated. The quality of public finances has declined, with a strong increase in public spending, notably in income transfers and subsidies and pensions, which rose well above inflation. This contributed to a sharp increase in external imbalances, while the public sector financing needs crowded out funds for private investment. Public sector debt has increased, but is still relatively low. FDI inflows decelerated markedly, largely due to the deteriorated international environment. Funds for addressing structural unemployment have remained limited, while unemployment remained very high. Institutional weaknesses and the rule of law need to be improved to allow for smooth functioning of the market economy. Further efforts are needed to strengthen public administration and the judiciary, in order to improve legal certainty and improve business environment. Regulatory and supervisory agencies sometimes still lack the sufficient independence and resources to fulfil their functions effectively. Despite efforts to reduce the unregistered economy, the issue remains an important challenge.

The former Yugoslav Republic of Macedonia has made good progress in improving its **ability to assume the obligations of membership**, in particular as concerns transport, customs and taxation and justice, freedom and security. Less progress has been achieved in certain other areas such as energy, the environment and employment and social policy. Overall, there was further progress in the fulfillment of the priorities of the Accession Partnership. However, sustained efforts are needed to strengthen administrative capacity for the implementation and enforcement of legislation. In line with the relevant key priority of the Accession Partnership, commitments undertaken in the Stabilisation and Association Agreement have been implemented.

Some progress has been achieved in the area of *free movement of goods*. A significant part of the horizontal and sectoral *acquis* has yet to be transposed. There has been some progress in the area of *freedom of movement for workers*, where alignment with the *acquis* remains at an early stage. Progress on *right of establishment and freedom to provide services* was uneven. There is a lack of coordination between the various bodies responsible for authorising cross-

border services. Progress in the area of *free movement of capital* was mainly confined to the fight against money laundering. The obligations stemming from the first stage of the SAA were met in 2008.

Good progress has been made in the area of *public procurement*, where significant steps have been taken towards aligning the legislation with the *acquis*. Further work is required to enhance the administrative capacity at all levels. Good progress has been made also in the area of *company law*, although alignment of the legal framework for accounting and auditing is lagging behind. Some progress has been made towards strengthening the legal framework and enhancing administrative capacity and institutional cooperation in the area of *intellectual property law*. Enforcement, though improving, is not yet satisfactory.

Some progress was made in the area of *competition*. A credible enforcement record has been built up, in particular in the field of concentrations, although the fight against cartels should be strengthened. The number of *ex ante* State aid decisions increased. The human and financial resources of the competition authority are still inadequate.

There has been some progress in the area of *financial services*, mainly related to legislative developments on the banking sector, securities markets, investment services and pensions. However, the insurance market is not yet properly regulated and supervised.

Progress was made in the field of electronic communications and information society services. Competition on the electronic communications markets increased as a result of the liberalisation process, to the benefit of consumers. In the area of audiovisual policy, the Broadcasting Council and the public service broadcaster continue to be subject to political interference. Overall, preparations in the area of *information society and media* are advanced.

Progress has been achieved in the field of *agriculture and rural development*. The administrative capacity of the paying agency and the operational structures responsible for EU pre-accession funds have been strengthened, although in other areas administrative capacity remains weak. Alignment with the *acquis* requires further sustained efforts in particular regarding thorough implementation of adopted legislation. There has been some progress in the area of *food safety, veterinary and phytosanitary policy*, mainly regarding legislative preparedness. However, the administrative capacity, in terms of both the number and skills of staff, is still insufficient to ensure proper implementation of the *acquis*.

Good progress has been made in the area of *transport policy*, in particular as regards transport, including road charging. In general, legislative alignment is advancing in all sectors. However, the administrative capacity in every sector of transport is insufficient, both in numbers and in terms of qualifications. Independent regulatory bodies and safety authorities have yet to be established for air and rail transport.

Some progress has been made in the *energy* sector. However, amendments to the Energy Law, as well as a correct implementation of the legislation, are necessary in order to meet the obligations under the Energy Community Treaty. An effectively functioning electricity market has yet to be established. The degree of independence of the energy regulator and the radiation protection regulator needs to be further improved.

Good progress was made on *taxation*. The level of legislative alignment in indirect taxation is well advanced. Further efforts are required as regards direct taxation. The operational capacity of the Public Revenue Office has been strengthened and tax collection has improved.

Some progress has been made in legislative alignment and administrative capacity in the area of the *economic and monetary policy*. Overall, preparations in this area are on track. Good progress has been made on improving sector *statistics* and aligning classifications with the *acquis*. The statistical infrastructure has been strengthened, but the resource situation remains weak.

Limited progress has been made in the area of *social policy and employment*. An effective and representative social dialogue is still lacking. The administrative capacity has slowly been

strengthened, but remains insufficient to implement properly the legislation and policies adopted. Good, but uneven, progress has been made in the field of *enterprise and industrial policy*. The financial resources and administrative capacity of public bodies for implementation of enterprise and industrial policy instruments are modest. Alignment with the *acquis* in this chapter is moderately advanced.

Progress was made in the area of *trans-European networks*. Preparations in this area are advanced. Some progress can be reported in the area of *regional policy and coordination of structural instruments*, notably in the form of enhanced efforts and preparations for the implementation of the components of IPA serving as pre-cursors to the Structural Funds. Overall, alignment with the *acquis* in this area is advancing.

As regards *judiciary and fundamental rights*, there has been good progress on combating corruption and some progress on the reform of the judiciary and on safeguarding fundamental rights. The newly established institutions and increased budgetary resources have improved the overall efficiency of the judiciary, but continued efforts are needed to secure independence. As regards anti-corruption, further progress can be reported on prosecuting high-level cases, on strengthening the institutional framework and on cooperation between law enforcement agencies. The electoral code and the law on financing of political parties were amended to strengthen transparency. Nonetheless, corruption remains prevalent continues to be a serious problem in many areas. Efforts need to be pursued. Most of the legislative and policy measures relating to fundamental rights are in place, but implementation is uneven, and further efforts are required.

In the area of *justice, freedom and security*, the country has continued to address key challenges. Regarding visa liberalisation, the country has made important progress in the areas covered by the roadmap and fulfilled the benchmark criteria. On the basis of the progress achieved, the Commission proposed in July 2009 the lifting of the visa obligation for the citizens of the former Yugoslav Republic of Macedonia¹. Good progress can be reported on asylum, the fight against organised crime and drugs, as well as on external borders and Schengen. Administrative capacity to implement the police reform has improved, but is still constrained by the not fully developed human resources management. Regarding the fight against organised crime, the use of special investigative techniques, witness protection and intelligence-led policing has improved. Further efforts are necessary, in particular to establish an integrated intelligence system. The country has achieved a greater degree of alignment with the *acquis* for both its legislative and administrative capacity. Overall, preparations in this area are on track.

Some progress has been made in the area of *science and research*. Administrative capacity to support participation in the Framework Programmes is not sufficiently developed. Overall, preparations in this area are on track. Some progress has been made in the areas of education, training, youth and culture, in particular as regards participation in Community programmes. However, the budget for education remains insufficient to implement the national reform strategy. Overall, preparations in the area of *education and culture* are advanced.

Progress has been made towards further transposing the EU *acquis* in the field of the *environment*, in particular in the cases of horizontal legislation and waste management. Implementation of the legislation remains a considerable challenge. Administrative capacity is weak at both national and local levels. Significant further efforts are still needed to further align with the EU *acquis* in this sector and, moreover, to ensure the required investments. Overall, preparations in the field of environment are moderately advanced.

Some progress has been made in the area of *consumer and health protection*. As regards consumer policy, there is still no effective and transparent market surveillance system. In the

¹ COM(2009) 366.

field of public health, the human and financial resources available are not yet sufficient to ensure proper implementation of legislation, strategies and action plans.

Progress in the area of *customs union* has been substantial, in particular as regards administrative and operational capacity. The customs legislation is sufficiently aligned with the *acquis*, except in the case of transit. The administrative capacity of the customs administration to implement legislation and to tackle cross-border crime is continuing to improve. Preparations in this area are on track.

There has been some progress in the alignment with the EU's *external relations* policy. Overall, preparations in this area are on track. There has been some progress in the area of *foreign security and defence policy*, in particular in terms of strengthening the administrative capacity. The country aligned with most EU declarations and common positions and has shown continued commitment to participation in ESDP operations.

Some progress has been made towards aligning and implementing the legislation in the area of *financial control*. The administrative capacity of the responsible institutions has been further strengthened. There was some progress as concerns *financial and budgetary provisions*. Improvements were made to the operational capacity of the customs authority and the Public Revenue Office, particularly in combating customs and VAT fraud.