

STABILISATION AND ASSOCIATION
BETWEEN
THE EUROPEAN UNION
AND
THE REPUBLIC OF
NORTH MACEDONIA

The Stabilisation and Association Council

Brussels, 19 March 2019
(OR. en)

058629/EU XXVI.GP

Eingelangt am 19/03/19

UE-MK 1454/19

COVER NOTE

Subject: Fifteenth meeting of the EU-the Republic of North Macedonia Stabilisation and Association Council (Brussels, 19 March 2019)

Delegations will find attached the common position of the European Union tabled on the occasion of the 15th meeting of the EU-the Republic of North Macedonia Stabilisation and Association Council.

15TH MEETING OF THE EU-THE REPUBLIC OF NORTH MACEDONIA

STABILISATION AND ASSOCIATION COUNCIL

Brussels, 19 March 2019

Common Position of the European Union

1. Opening

The European Union (EU) welcomes the holding of the 15th meeting of the Stabilisation and Association Council between the EU and the Republic of North Macedonia.

In view of progress, in particular on implementation of the Pržino agreement, the Urgent Reform Priorities and the positive momentum created by the conclusion of the agreement with Bulgaria and the agreement on the name issue with Greece, the Council agreed, at the meeting of the **General Affairs Council** on 26 June 2018, to respond positively to the above progress made by the Republic of North Macedonia and set out the path towards opening accession negotiations in June 2019. Accordingly, the Council underlined the critical need for the Republic of North Macedonia to continue making concrete progress on the Urgent Reform Priorities and to deliver further tangible results in the fight against corruption, maintaining and deepening the current reform momentum. To this effect, the Council called on the Commission to monitor closely the above reform efforts of the Republic of North Macedonia and will assess progress on the basis of the yearly Commission report. The Council recalled that the decision to open accession negotiations with the Republic of North Macedonia will be subject to completion of national parliamentary procedures and the endorsement by the **European Council** and swiftly thereafter be followed by the first **Intergovernmental Conference** by the end of 2019, depending on progress made. The Council underlined that this assessment of progress should include further tangible and sustained results, focusing in particular on:

- judicial reforms and proactive investigations, prosecutions and final convictions in corruption and organised crime cases, including at high level;
- intelligence and security services reform;
- public administration reform.

The Council took note of the intention of the Commission to begin the necessary preparatory work.

The Council also strongly welcomed and supported the agreement between Athens and Skopje on the name issue. The EU was formally notified by the Republic of North Macedonia of its new name, following the entry into force of the Prespa agreement. The EU warmly welcomes this historic step, which sets an example for the Western Balkans region and beyond. The EU congratulates the Hellenic Republic and the Republic of North Macedonia on this major achievement. This, together with the agreement between Bulgaria and the Republic of North Macedonia on the Treaty of Friendship, Good Neighbourliness, and Cooperation, sets a strong example for others in the region to strengthen good neighbourly relations. Continued implementation of those agreements in good faith will be crucial. Good neighbourly relations and regional cooperation remain essential elements of the Enlargement Process, as well as of the Stabilisation and Association Process.

The EU recalls that the Stabilisation and Association Agreement remains at the core of the relationship between the EU and the Republic of North Macedonia until the country's accession to the EU. The Agreement provides the contractual framework within which the EU and the country co-operate and take stock of developments in their relationship.

The 16th meeting of the EU-the Republic of North Macedonia Stabilisation and Association Committee is scheduled on 20 June 2019, where the two parties will exchange views on the latest political developments and the state of institutional, political and economic reforms, closing the annual cycle of sub-Committees and Special Group.

The EU notes that the Commission is constantly assessing the state of play and taking stock, including through the regular Enlargement Package, of the progress in meeting the accession criteria. In this context, the EU calls for continuing to deepen the reform momentum on the Urgent Reform Priorities, decisive for the country's further progress. The EU recalls that the effective implementation of ongoing or planned reforms remains essential. The EU remains fully engaged and stands ready, with other relevant actors, to support the country in its efforts, with all instruments at its disposal.

2. Adoption of the Agenda

3. Adoption of the minutes of the 14th meeting of the Stabilisation and Association Council

The Stabilisation and Association Council will take note of the minutes of the fourteenth meeting of the SA Council of 13 July 2018, as adopted by exchange of letters of 11 March 2019.

4. Relations under the Stabilisation and Association Process

4.1. Pre-accession strategy, in particular in light of the Accession Partnership

Political criteria

The EU has continued to closely follow political developments in the Republic of North Macedonia over the last year. The EU welcomes the significant steps taken by the new government to advance EU-related reforms, in a transparent and inclusive manner, as well as the changes in the general atmosphere in the country. Acknowledging the achievements so far, the EU encourages the Republic of North Macedonia to continue its efforts over the coming months to follow up on legislative measures and strengthen the implementation of reforms, in particular in the areas set out by the Council in June 2018.

The EU takes note of the assessment of OSCE/ODIHR on the *consultative referendum* of 30 September 2018, which states that, while all aspects were not sufficiently covered by the legal framework, the referendum was administered in an impartial manner and fundamental freedoms were respected. The EU outlines the importance of addressing the remaining recommendations of OSCE/ODIHR and the Venice Commission in a timely, inclusive and transparent manner. The EU underlines the importance of credible presidential elections.

The EU notes that, while a reconciliation process is ongoing in the *Parliament*, accountability for those who committed violence and orchestrated the attacks of the 27 April 2017 must be established. The EU looks forward to the holding of the second round of the "Jean Monnet Dialogue", initiated by the European Parliament, aiming at improving the atmosphere and culture of compromise among the Members of the Parliament as well as the work of the Parliament. It calls for the strengthening of the independence and legislative functions of the Assembly and especially its oversight role over the work of the government and the intelligence services. The EU welcomes and further encourages the increased transparency and inclusiveness of the Parliament, including through its increased engagement with civil society.

The EU encourages the government to continue to deepen the current reform momentum, including through the "Plan 18". The EU encourages the government, the opposition parties, civil society and other stakeholders to continue to cooperate with one another. The EU urges all parliamentary parties to put their divisions aside and work jointly on delivering on the reform agenda and on the common strategic goal of EU integration, for the benefit of all citizens.

The EU notes that the environment in which *civil society* operates continues to improve. It welcomes the good progress made in consulting civil society organisations and involving them in the policy making and legislative processes. As regards **freedom of expression and the media**, the EU reiterates the importance of media freedom and independence as one of the cornerstones of any democracy. The EU welcomes the improved climate for media freedom and cooperation between the authorities and civil society in following up incidents against journalists. The EU encourages further efforts through self-regulation to improve the quality of journalism. The EU takes note of the amendments to the audio and audio-visual media law and it encourages further reforms, notably with regard to the public service broadcaster.

As regards **rule of law**, the EU welcomes the good cooperation with the national authorities in the implementation of the Judicial Reform Strategy. Legislative changes have, to a large extent, addressed the "Urgent Reform Priorities", the recommendations of the Venice Commission and those of the Senior Experts' Group on systemic Rule of Law issues, which aimed at having a positive impact on the independence of the judiciary. The EU recalls the importance of reforming the Judicial Council and the Council of Public Prosecutors and it encourages them to pro-actively perform their respective roles. The EU notes delays in following up the inspection of the application of the automated court case management information system (ACCMIS) and urges its swift completion.

Concerning the **fight against corruption and organised crime**, the EU commends the progress made in significantly amending the legal framework for prevention of corruption and conflict of interests. The EU welcomes the immediate steps taken to implement the new law and that the new State Commission for Prevention of Corruption was appointed effectively in an inclusive and transparent manner. The EU notes positively that the scope of its competences has been strengthened and clarified. It reaffirms the need to ensure that all institutions involved in preventing and fighting corruption have the necessary autonomy, and financial and human resources to fully carry out their mandate. The EU welcomes continued progress made in the investigations conducted by the **Special Prosecutors' Office** to establish legal accountability for the wiretaps. The EU notes the importance of a sustainable solution for the future status of the Special Prosecutor, that is in line with the Judicial Reform Strategy. The EU encourages the Republic of North Macedonia to further step up proactive investigations, prosecutions and final convictions in corruption and organised crime cases, including high level.

The EU welcomes the implementation of the **reform of interception of communications** with the effective establishment of the Operational Technical Agency. It welcomes the start of the work on reform of intelligence services and encourages the government to further intensify these reforms. The EU also acknowledges the good cooperation with NATO and strategic partners. The EU encourages the authorities to continue working with partners to establish the new National Security Agency.

The EU recalls that *regional co-operation and good neighbourly relations* form an essential part of the process of moving towards the EU. The EU welcomes the continued active participation and the constructive approach of the Republic of North Macedonia in different regional initiatives.

As set out in previous **European Council** and Council conclusions, maintaining good neighbourly relations, which included a negotiated and mutually accepted solution to the name issue under the auspices of the UN, is essential. Therefore, the EU strongly welcomes the entry into force of the Prespa agreement with Greece, and underlines the need for continued implementation, which remains essential to maintaining good neighbourly relations in the region. Moreover, full implementation of the Treaty on Friendship, Good-neighbourliness and Cooperation with Bulgaria is important.

Regarding *relations between the communities*, the EU assesses that the situation continues to be calm overall, while recalling that this requires continuous engagement. The EU reiterates that the *Ohrid Framework Agreement* (OFA) continues to be an essential element for democracy and stability in the country. The EU recalls the importance of good inter-ethnic relations, supports the commitment of the government and welcomes that a number of steps were taken to build greater trust among communities and to further implement the Ohrid Framework Agreement. The EU recalls the protections guaranteed to all communities under the Constitution.

The EU notes the importance of the *decentralisation* and *regional development* process, as enshrined in the OFA. The EU notes that a dialogue between authorities to address the lack of funding and lack of local public delivery of services has been strengthened, including through an increase in the 2018 budget transfer to municipalities.

On **public administration reform**, the EU takes note of the ongoing implementation of the Public Administration Reform Strategy and the Public Financial Management Reform Programme. The EU acknowledges that concrete efforts have been made towards increasing transparency and accountability and improving consultations in policy making. The EU nonetheless encourages the country to increase its capacity for policy planning and central coordination among the key institutions to improve policy implementation, and monitoring including on public procurements. The EU reiterates that any recruitment, appointment or dismissal must respect the principles of a depoliticised and merit-based public administration, of transparency and equitable representation, in line with the spirit and the letter of the relevant legislation for public service positions. The EU notes recent concerns about recruitments in the public sector and the perceptions thereof and will continue to monitor the actions undertaken by the authorities in this regard. An effective performance management system will enhance efficiency and commitment within the public service. The EU calls on the authorities to provide extensive training to central and local government administrations and raise public awareness to ensure full implementation of the Law on General Administrative Procedures.

As regards the protection of *human rights*, the EU notes that the legal framework is largely in line with European standards. The EU welcomes the strengthening of the Ombudsman's office and the improved follow up to its recommendations. The EU recalls the need to ensure consistent implementation of the legal and policy framework. It is essential that recommendations of international monitoring bodies are addressed, notably as regards detention, gender equality and rights of persons with disabilities.

The EU recalls the importance of continuing to improve the enabling environment for *freedom of expression*. The EU urges the rapid adoption of the overdue law on anti-discrimination, which should include sexual orientation and gender identity as protected grounds. It recalls the importance of addressing all recommendations from the European Committee for the Prevention of Torture, notably with regard to prison management.

The EU welcomes the progress made on the policy and institutional framework to protect the rights of persons with disabilities. The EU takes note of the country's positive performance with regard to Roma inclusion in the region and encourages further work on addressing priority recommendations. The EU calls on the authorities to continue making efforts to ensure that the rights of vulnerable groups as well as those of women, children and LGBTI persons are effectively protected in practice.

The EU notes that the 2003 *bilateral non-surrender agreement* with the United States of America granting exemptions for US citizens from the jurisdiction of the International Criminal Court is not in line with the relevant EU guiding principles concerning arrangements between a State Party to the Rome Statute of the International Criminal Court and the USA.

The EU welcomes the full cooperation with the International Criminal Tribunal for the former Yugoslavia (*ICTY*), with which there are no remaining cases or appeals pending.

Economic criteria

The EU welcomes that the growth has accelerated, after having stagnated as confidence suffered from political uncertainty. It notes that the growth has been supported by private consumption backed up by steady wage increases and a rise in private and social transfers combined with an improved external economic environment, however the investments did not completely recover. The EU notes that the fiscal deficit will probably remain below the revised target mainly reflecting severe cuts in capital spending. The government has taken some initial measures to raise revenue and contain pension spending such as raising pension contribution rates and a change of indexation of pensions to inflation-only. It also introduced progressive personal income taxations. As frequent regulatory changes have an impact on private investment, the EU underlines the importance of proper consultation with the private sector. The EU will note that the level of public debt to GDP is still moderate, but debt stabilisation remains a challenge in the face of continuing financing needs of state-owned enterprises, sustained primary fiscal deficits and large upcoming debt refinancing requirements. The EU notes that the inflation environment remains moderate.

Several structural reform measures to support growth and competitiveness have been put forward, in the framework of the fifth Economic Reform Programme. Based on the assessment carried out by the country, the EU calls for properly addressing major growth and competitiveness constraints such as the informal economy and corruption, business environment obstacles and the quality of education, addressing the lack of systematic and efficient law enforcement and non-transparent regulatory framework, tackling high youth and female unemployment and modernising the education system at all levels. At the same time, the EU calls for better understanding of the effectiveness and rationale behind the FDI and local SMEs supporting policies.

The EU recalls the joint conclusions of the EU and the Western Balkans and Turkey on the Economic Reform Programmes at the Ecofin Council of 25 May 2018, and encourages the government to focus on their implementation and follow-up.

The EU recalls the importance of developing a proper medium-term fiscal consolidation strategy and stabilising the public debt ratio while protecting capital spending. It stresses the importance of streamlining and targeting social spending and agricultural subsidies, reducing public sector payment arrears, improving tax collection notably on VAT, and adoption of the organic budget law. It underlines the need for increased fiscal transparency, and positively notes that the government has made clear progress in this area, such as improving the coverage and quality of fiscal data, including on public sector arrears. The EU welcomes the efforts put so far in the adoption of the Public Finance Management reform programme, and welcomes the first annual monitoring report submitted by the country and asks for its continuous implementation. The EU underlines the need to develop a comprehensive strategy to foster non-performing loan resolution, involving all stakeholders. The EU welcomes the adoption of the Strategy addressing the large informal sector in the economy and calls for the authorities to swiftly implement the measures suggested within. The EU further notes the improvement in transmission of statistics, including on government deficit and debt, regional and financial accounts, and underlines the need to fully implement European System of Accounts (ESA) 2010 standards and transmission in a timely manner, including improved completeness and timeliness of annual national accounts transmission.

The EU notes that several labour market measures have been undertaken which contributed to a decline in unemployment over the last few years, but also noted that the latter is partly due as well to low and declining participation activity rates. It expresses concern at the still high unemployment rate, especially among the youth, which requires structural measures to address the underlying reasons, including the gender divide, the mismatch between the education and training skills system and labour market demands causing a high youth unemployment.

It also notes that despite improvements, shortcomings remain in the business environment. The regulatory framework and system of para-fiscal charges remains inconsistent and often conflicting. This needs to be addressed along with the lack of systematic and efficient law enforcement and the insufficient institutional capacity of civil courts for commercial dispute settlement. In addition, it emphasised that the share of the informal economy remains sizable, posing serious challenges to private sector development and competition, undermining trust and worker's rights, and depriving the government of revenues.

The EU notes that the investments have not fully recovered following the crisis, it encourages the country to fully understand the motives and pull factors for investment in the country. Furthermore, the EU invites the country to better use the benefits of FDI by using them as a vehicle for introduction of domestic companies into global value chains. Despite progress in the country's innovation policy, the EU also notes that total R&D expenditure is still marginal and there is a lack of innovation infrastructure.

Financial cooperation

As regards the implementation of EU funds under indirect management with the beneficiary country and the overall management of EU funds, the EU acknowledges investments made in the sector approach. Nevertheless, additional efforts are still required regarding its implementation. There is a positive momentum in implementing reforms, which is a precondition for effective delivery of the pre-accession assistance and in order to maintain this momentum, the EU stresses the need to enhance administrative capacity through allocating the necessary resources and implementing proper staff retention policy, with a view to ensuring the faster implementation of IPA II. The EU further stresses that, under IPA II, the focus is on diversifying implementation modalities including sector budget support and on setting up a proper evaluation and monitoring mechanism based on indicators. In this respect, the EU welcomes preliminary steps taken by the national authorities to implement part of future IPA II assistance through sector budget support.

The EU points out the importance for the national authorities to continue implementing the European Court of Auditors' recommendations stemming from a meta-audit as well as the Special Report No 11/2016 "Strengthening administrative capacity in the country: limited progress in a difficult context". In particular, national authorities should increase their efforts to spread best practice in implementing EU pre-accession assistance into the whole of the public administration.

The EU welcomes the country's continuous participation in Union Programmes. More needs to be done by the national authorities to enhance regular reporting on the usage of Union Programmes and ensuring their visibility.

4.2. Relations under the Stabilisation and Association Agreement

Implementation of the SAA - state of play

The 16th meeting of the Stabilisation and Association Committee on 20 June 2019 will conclude a cycle of sub-Committees, most of which have not taken place yet.

5. Exchange of views on developments in the Western Balkans and other international issues of common interest

The EU commends the Republic of North Macedonia for its continuous efforts and constructive cooperation in addressing the issue of irregular migration and encourages the country to sustain its engagement in this area.

Alignment with EU positions in the framework of CFSP

As part of the Thessaloniki agenda, the Republic of North Macedonia is invited, as appropriate, to align with common positions, declarations etc. on a regular basis in order to co-ordinate its foreign and security policy with the EU. The EU positively notes the country's increased alignment with the EU Common Foreign and Security Policy and encourages the country to further improve its alignment.

The EU welcomes continued efforts made at strengthening the fight against violent extremism and terrorism. It welcomes the efforts to streamline their priorities and notes the steps taken in pursuing a comprehensive policy based on both pillars of prevention and protection from terrorism. The EU encourages authorities to continue full implementation of the strategic priorities and encourage them to grant the relevant institutions with financial and human resources. The EU recalls the need to further address the issue of radicalisation in prisons.

Developments in the Western Balkans

An exchange of views will take place regarding developments in the Western Balkans.